



# Special Inspector General for Iraq Reconstruction

Quarterly Report and  
Semiannual Report to the  
United States Congress

[ July 30, 2012 ]

(Public Laws 108-106 and 95-452, as amended)

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# SIGIR Mission Statement

Regarding U.S. relief and reconstruction plans, programs, and operations in Iraq, the Special Inspector General for Iraq Reconstruction provides independent and objective:

- oversight and review through comprehensive audits, inspections, and investigations
- advice and recommendations on policies to promote economy, efficiency, and effectiveness
- prevention, detection, and deterrence of fraud, waste, and abuse
- information and analysis to the Congress, the Secretary of State, the Secretary of Defense, and the American people

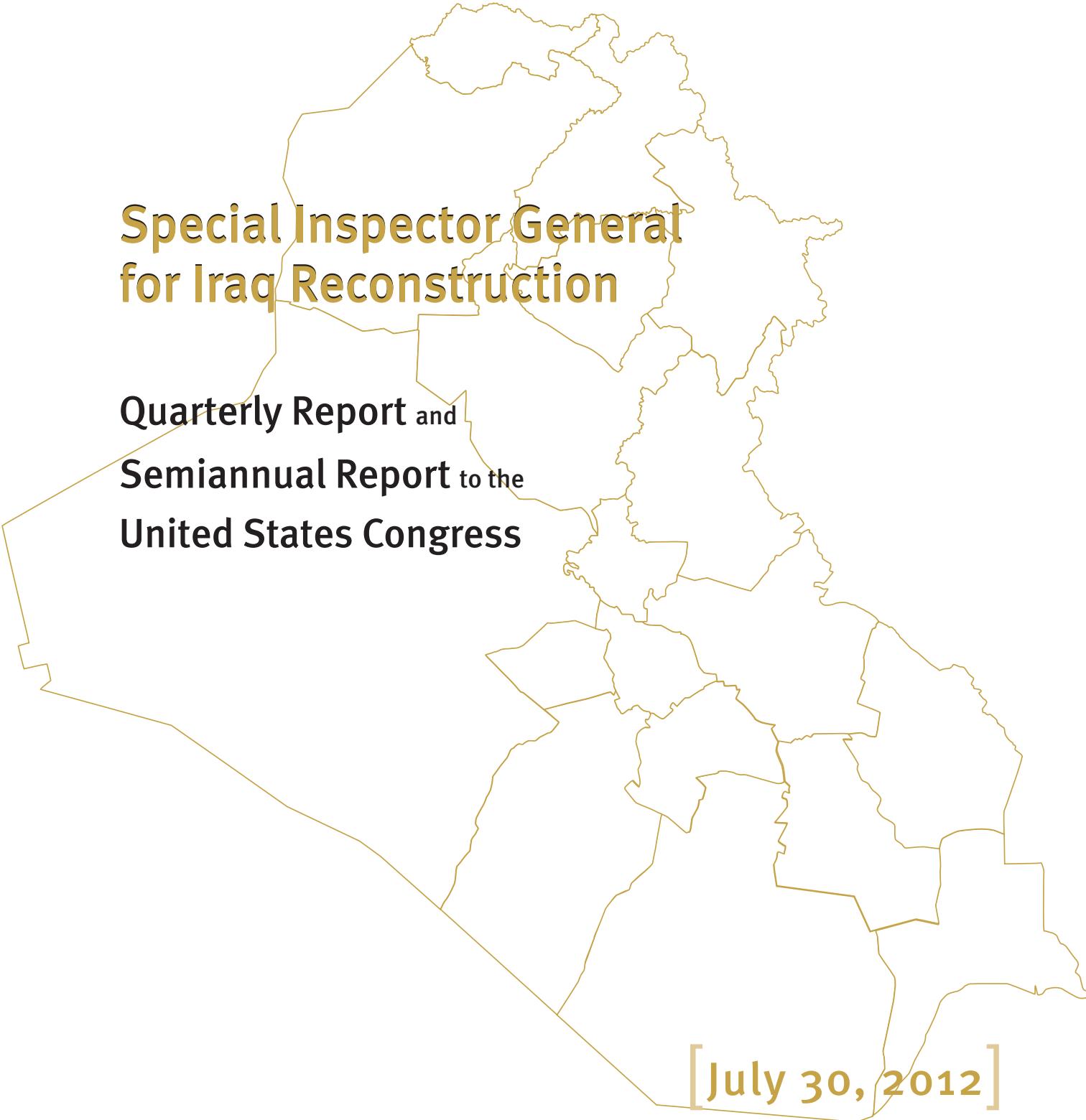
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The jurisdiction of the Office extends to amounts appropriated or otherwise made available for any fiscal year to the Iraq Relief and Reconstruction Fund, the Iraq Security Forces Fund, the Commander's Emergency Response Program; or for assistance for the reconstruction of Iraq under the Economic Support Fund, the International Narcotics Control and Law Enforcement account, or any other provision of law.

(Section 3001 of Public Law 108-106, as amended)



April 29, 2012: Inspector General Stuart Bowen meets with Prime Minister Nuri al-Maliki to discuss SIGIR oversight of the Development Fund for Iraq.



The background of the cover features a light gray outline map of Iraq, with its provincial boundaries and coastlines clearly defined.

# **Special Inspector General for Iraq Reconstruction**

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## MESSAGE FROM THE SPECIAL INSPECTOR GENERAL FOR IRAQ RECONSTRUCTION

I am pleased to present our 34th Quarterly Report to the U.S. Congress and the Secretaries of State and Defense.

On July 23, attacks occurring in most of Iraq's major cities killed more than 100 people in what was reportedly the deadliest single day of violence in Iraq since 2010. These attacks came during a period marked by political uncertainty. This quarter, a loose coalition of Iraqi political leaders, led by Kurdistan Regional Government President Massoud Barzani and former Prime Minister Ayad Allawi, spearheaded efforts to remove Prime Minister Nuri al-Maliki from office. Their efforts stalled when Shia cleric Muqtada al-Sadr backed away from supporting them—at least for now.

Projected to expand by more than 11% this year, Iraq's economy remains one of the fastest growing in the world. The Iraqi oil sector dominates national commerce, providing more than 90% of the roughly \$100 billion national budget. Oil production averaged 2.93 million barrels per day (MBPD) in April and May, and exports averaged 2.45 MBPD over the entire quarter. Both were new post-2003 records. But oil exports began to decline in June, in part because of infrastructure problems, underscoring the need for the Government of Iraq (GOI) to move forward quickly with its planned upgrades if it hopes to maintain its robust expansion.

The U.S. Mission in Iraq continues to “right-size” through downsizing. The Department of State (DoS) reported that 1,235 U.S. government civilian employees were working in Iraq as of June 30, a 10% decline from the previous quarter. The number of contractors also fell. According to Department of Defense (DoD) data, the number of employees working for U.S. government contractors or grantees in Iraq declined from 16,973 on April 1 to 12,477 on July 2, a 26% decrease.

DoS wisely reduced the scope and size of the Police Development Program (PDP) this quarter, responding to Iraqi demands. Relevant to that point, SIGIR recently published its third audit of the PDP, confirming limited GOI support for the program as envisioned by DoS. Indicative of the ongoing reductions, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) reported that it had cut the amount of funds allocated to the PDP for FY 2012 from \$171 million to \$76.3 million. INL also ceased PDP operations in Basrah and removed all police advisors from the Baghdad Police College Annex, which had served as the program's primary hub.

In addition to the PDP report, SIGIR issued three other audits this quarter:

- **Status of FY 2011 Funds Allocated to the Iraq Security Forces Fund (ISFF).** As of late June, approximately \$765.33 million of the \$1.15 billion in FY 2011 ISFF funds had been committed or obligated for the purchase of equipment and training for the Iraqi Security Forces. DoD has stated that it intends to obligate the remaining FY 2011 ISFF before the end of the fiscal year. If it does so, DoD would likely be required to certify to the Congress that the GOI is taking the necessary steps to ensure that ISFF-funded purchases will be maintained.
- **U.S. Agencies’ Reviews of Contractor Business Systems.** In this review of Defense Contract Audit Agency and Defense Contract Management Agency monitoring of four key business systems used by DoD contractors operating in Iraq, SIGIR found that the U.S. government reviewed all four systems for only 5 of the 35 contractors included in the sample.
- **Final Forensic Audit.** Pursuant to SIGIR’s congressional mandate to produce a final forensic audit, this

report recapitulated how SIGIR oversight work has found serious weaknesses in the U.S. government's controls over Iraq reconstruction funds, thereby placing billions of taxpayer dollars at risk of being wasted, misused, or stolen.

This quarter's investigative accomplishments included:

- the convictions of a U.S. Army sergeant first class and his associate for their role in steering nearly \$24 million in contracts in exchange for \$170,000 in bribes
- the guilty plea of a British citizen on charges of paying almost \$1 million in unlawful kickbacks
- the sentencing of a retired U.S. Army lieutenant colonel to three years and five months in prison and \$250,000 in monetary penalties for accepting bribes in return for improperly assisting government contractors
- the sentencing of a former U.S. government contractor to two years in prison, three years of supervised release, and \$160,000 in monetary penalties for conspiring to steal U.S. government generators

With 97 active investigations as of mid-July, SIGIR and its investigative partners continue to pursue allegations concerning the criminal misuse of Iraq reconstruction funds.

SIGIR issued its second Special Report this quarter, entitled *The Human Toll of Reconstruction and Stabilization during Operation Iraqi Freedom*. The study marks the first time a U.S. agency attempted to account for the number of U.S. military personnel, U.S. civilians, Iraqis, and third-country nationals who died while performing stabilization and reconstruction (as opposed to combat) operations in Iraq. SIGIR found that at least 719 individuals died while engaging in reconstruction missions from May 1, 2003, to August 31, 2010: 318 U.S. citizens (264 military and 54 civilians), 271 Iraqis, 111 third-country nationals, and 19 others. This total most certainly is low because of the paucity of good recordkeeping.

SIGIR will produce another Quarterly Report in October, along with three more audits. In January 2013, we will issue a major capping report and two final audits, thereby marking the end of nine years as the U.S. taxpayer's watchdog in Iraq. Much work remains to be done, and I thank my professional and productive staff for their collective commitment to persevering in our mission until we complete it.

Respectfully submitted,



Stuart W. Bowen, Jr.

# SIGIR SUMMARY OF PERFORMANCE

## SIGIR SUMMARY OF PERFORMANCE AS OF JULY 30, 2012

AUDITS	CUMULATIVE	LAST 12 MONTHS
Reports Issued	214	20
Recommendations Issued	482	9
Potential Savings if Agencies Implement SIGIR Recommendations to:		
Put Funds to Better Use (\$ Millions)	\$973.62	\$387.00
Disallow Costs SIGIR Questioned (\$ Millions)	\$640.68	\$4.85
<b>INSPECTIONS, AS OF JUNE 30, 2012<sup>a</sup></b>		
Project Assessments Issued	170	–
Limited On-site Assessments Issued	96	–
Aerial Assessments	923	21
<b>INVESTIGATIONS</b>		
Investigations Initiated	612	53
Investigations Closed or Referred	509	61
Open (Active) Investigations	97	97
Arrests	38	4
Indictments	90	27
Convictions	72	18
Monetary Results (\$ Millions)	\$177.0	\$23.1
<b>HOTLINE CONTACTS, AS OF JUNE 30, 2012</b>		
Email	413	9
Fax	18	–
Mail	30	1
Referrals	26	–
SIGIR Website	196	15
Telephone	83	2
Walk-in	112	–
<b>Total Hotline Contacts</b>	<b>878</b>	<b>27</b>
<b>OTHER PRODUCTS</b>		
Congressional Testimony	35	3
Lessons Learned Reports	7	2
Special Reports	2	2
Evaluation Reports	1	–
Quarterly Reports	34	4

<sup>a</sup> The Inspections Directorate ceased conducting project assessments on April 30, 2010.



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\*The complete version of this SIGIR Quarterly Report is available on the SIGIR website: [www.SIGIR.mil](http://www.SIGIR.mil). It is the official version of the Report, containing all appendices and corrections.

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## APPENDICES

The appendices for this Quarterly Report are not included in the print version of the publication. They are published on the SIGIR website at [www.sigir.mil](http://www.sigir.mil).

**Appendix A** cross-references the pages of this Report with SIGIR's statutory reporting requirements under Section 3001 of P.L. 108-106, as amended, and the Inspector General Act of 1978, as amended.

**Appendix B** cross-references budget terms associated with the Commander's Emergency Response Program (CERP), Economic Support Fund (ESF), Iraq Relief and Reconstruction Fund (IRR), Iraq Security Forces Fund (ISFF), International Narcotics Control and Law Enforcement (INCLE) account, and international support for Iraq reconstruction.

**Appendix C** contains detailed information on the major U.S. reconstruction funds.

**Appendix D** reports on international contributions to the Iraq reconstruction effort.

**Appendix E** contains a list of SIGIR's completed inspections of Iraq reconstruction activities.

**Appendix F** contains a comprehensive list of suspensions and debarments related to Iraq reconstruction contracts or Army support contracts in Iraq and Kuwait.

**Appendix G** provides summaries of completed and ongoing audits and reviews of Iraq reconstruction programs and activities released by other U.S. government agencies.

**Appendix H** contains a list of completed audits, reports, and testimonies on Iraq reconstruction activities released by SIGIR and other U.S. government audit agencies.

# SIGIR OBSERVATIONS

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SECTION

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1

## VIOLENCE RISING AMID POLITICAL TURMOIL

On July 23, 2012, coordinated attacks across Iraq reportedly killed at least 100 people and injured dozens more—the deadliest day in Iraq in more than two years. This devastating carnage came one day after multiple attacks killed more than 20, continuing the steady increase in lethal violence that began in April after a relatively peaceful March. Although no claims of responsibility were immediately reported, Abu Bakr al-Baghdadi, the ostensible leader of al-Qaeda in Iraq (under the banner of “The Islamic State of Iraq”), two days earlier announced the start of a new terrorist offensive, apparently aimed at freeing imprisoned al-Qaeda members.

Against this backdrop of continued violence in a nation also stressed by political turmoil, the Department of State (DoS) announced several significant changes this quarter to the size and scope of its efforts in Iraq. These include the closure of the U.S. consulate in Kirkuk, the cessation of all Police Development Program (PDP) activities in Basrah, the departure of police advisors from the largest PDP site in Baghdad, and the continued downsizing of the number of U.S. civilian and contractor personnel in Iraq.

In late June, the DoS Under Secretary for Management announced that the U.S. Mission in Iraq was downsizing as part of its “glide path” toward more normalized embassy operations.<sup>1</sup> As of the end of June, DoS reported that 1,235 U.S. government civilian employees were working in Iraq—a 10% decline from last quarter. According to the Department of Defense’s (DoD) Synchronized Predeployment and Operational Tracker (SPOT) database, 12,477 employees of U.S.-funded contractors and grantees were also supporting the U.S. Mission as of July 2—a 26% decrease from April 1.<sup>2</sup>

While the numbers of civilian employees and contractors declined, the cost of supporting and



Ambassador James Jeffrey, who served as Chief of Mission from August 5, 2010, to May 31, 2012, departs the Embassy grounds on June 1. (U.S. Embassy-Baghdad photo)

securing them remained high.<sup>3</sup> Appearing before a House subcommittee in late June, the Government Accountability Office’s Acting Director for International Affairs and Trade stated support costs and security expenses accounted for 93% of the estimated \$4 billion allocated by DoS and DoD for 2012 operations in Iraq.<sup>4</sup> Consistent with this finding, SIGIR’s recently published third audit of the PDP found that 94% of that program’s projected FY 2013 budget would be dedicated to support and security activities.<sup>5</sup>

The Government Accountability Office’s Acting Director for International Affairs and Trade stated support costs and security expenses accounted for 93% of the estimated \$4 billion allocated by DoS and DoD for 2012 operations in Iraq.

## U.S. MISSION

### New Leadership

On June 1, Ambassador Robert Stephen Beecroft became Chargé d’affaires in Baghdad, upon the departure of Ambassador James Jeffrey. Prior to becoming the Chargé, Ambassador Beecroft had served as the Deputy Chief of Mission since July 2011. Earlier in his career, Beecroft held assignments in Saudi Arabia and Syria, and he served as the Chief of Mission in Jordan.<sup>6</sup>

### Reconstruction Funding and Personnel

Since 2003, the United States has appropriated or otherwise made available \$60.45 billion for relief and reconstruction efforts in Iraq.<sup>7</sup> This represents a \$0.66 billion decrease from what

**TABLE 1.1**  
**STATUS OF FY 2011 AND FY 2012 ISFF, ESF, AND INCLE, AS OF 6/30/2012**  
\$ Millions

FUND	FY	APPROPRIATED	OBLIGATED	EXPENDED	UNOBLIGATED	UNEXPENDED OBLIGATIONS
ISFF	2011	1,155.0	720.3	613.0	434.7	107.3
	<b>Subtotal</b>	<b>1,155.0</b>	<b>720.3</b>	<b>613.0</b>	<b>434.7</b>	<b>107.3</b>
ESF	2011	325.7	247.5	39.1	78.2	208.4
	2012	299.4	—	—	299.4	—
	<b>Subtotal</b>	<b>625.1</b>	<b>247.5</b>	<b>39.1</b>	<b>377.6</b>	<b>208.4</b>
INCLE	2011	114.6	88.7	57.8	25.8	30.9
	2012	129.6	20.0	4.1	109.6	15.9
	<b>Subtotal</b>	<b>244.2</b>	<b>108.7</b>	<b>62.0</b>	<b>135.4</b>	<b>46.8</b>
<b>Total</b>		<b>2,024.3</b>	<b>1,076.5</b>	<b>714.1</b>	<b>947.8</b>	<b>362.4</b>

**Note:** Data not audited. Numbers affected by rounding.

**Sources:** NEA-I, response to SIGIR data call, 6/28/2012; INL, response to SIGIR data call, 7/10/2012; OUSD(C), response to SIGIR data call, 7/11/2012.

INL's most recent plan, yet to be finalized, calls for a total of 36 advisors—about one-tenth the original goal of about 350 advisors.

SIGIR reported in April 2012, predominantly resulting from a \$370 million reduction from the FY 2012 International Narcotics Control and Law Enforcement (INCLE) account and a \$345 million reprogramming reduction from the FY 2011 Iraq Security Forces Fund (ISFF).<sup>8</sup> As of June 30, \$52.80 billion of the \$60.45 billion total had been obligated and \$51.08 billion had been expended.<sup>9</sup>

More than 85% of U.S. reconstruction has been provided through five major funds: the Iraq Relief and Reconstruction Fund (IRRF), the ISFF, the Commander's Emergency Response Program (CERP), the Economic Support Fund (ESF), and the INCLE.<sup>10</sup> All funds appropriated to the IRRF and CERP have expired, but \$1.03 billion remains available for obligation to new activities from the other three funds.<sup>11</sup> Table 1.1 summarizes the status of recent appropriations to the ISFF, ESF, and INCLE.

According to DoS, only 6 U.S. personnel and 67 contractors work on reconstruction programs in Iraq. SIGIR has long objected to this artifice, as these totals exclude personnel supporting, among other things, the Office of Security Cooperation-Iraq (OSC-I), the PDP, and the U.S. Agency for International Development (USAID).<sup>12</sup>

### Police Development Program

This quarter, the DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) ceased all PDP activities in Basrah and removed all PDP advisors from its main training facility, the Baghdad Police College Annex. INL's most recent plan, yet to be finalized, calls for a total of 36 advisors (split evenly between Baghdad and Erbil)—about one-tenth the original goal of about 350 advisors and half the current force strength of 72.<sup>13</sup>

A May assessment by Iraq's Ministry of Interior (MOI) concluded that the PDP should be staffed by



The Inspector General meets with Iraqi Minister of Justice Hassan al-Shimari in April 2012.

# SIGIR OBSERVATIONS

no more than 12 advisors in Baghdad, each a highly trained expert in a specific field, such as forensic science or intelligence. The MOI report further noted that it had rejected 55 meetings requested by PDP advisors during the first three months of 2012 and described more than one-fourth of the 80 meetings that did occur as having been of either limited or no benefit.<sup>14</sup>

SIGIR issued its third audit of the PDP this quarter, finding that, of the \$745 million in FY 2010 and FY 2011 funds already appropriated and allocated for the program, at least \$118.2 million remained unused and available. Further, SIGIR determined that additional funds may become available as the program diminishes in size.<sup>15</sup> For a complete summary of the PDP audit, see Section 5 of this Report.

## Office of Security Cooperation-Iraq

As of June 30, 2012, OSC-I operated out of six locations (Baghdad, Besmaya, Kirkuk, Tikrit, Umm Qasr, and Taji), providing advice and training to the Iraqi military. It intends to transfer all of these sites to the Government of Iraq (GOI) by the end of 2013. More than \$58 million in U.S.-funded upgrades are either planned or ongoing at the OSC-I locations in Besmaya, Umm Qasr, and Tikrit.<sup>16</sup>

OSC-I's mission focuses on the procurement of security equipment and related services for the ISF through ISFF expenditures, the FMS program, and the Foreign Military Financing (FMF) program:

- **ISFF.** Obligations and commitments from the FY 2012 ISFF increased by 124% from last quarter to more than \$765 million. For the remaining unobligated and uncommitted FY 2011 ISFF, OSC-I plans 14 purchases, including aircraft logistics support, armored vehicles, and a reconnaissance and surveillance system.<sup>17</sup>
- Any funds not obligated by September 30 will expire, but OSC-I plans to obligate all of the remaining FY 2011 ISFF.<sup>18</sup>
- **FMS.** As of June 30, the FMS program had provided 453 separate cases valued at \$11.96 billion. The GOI funded 206 FMS cases, valued at \$9.00 billion, and the United States funded 247

cases, valued at \$2.96 billion.<sup>19</sup> The three largest FMS cases finalized this quarter involved the purchase of air-defense systems and support equipment (\$105.2 million); 6 M1A1 tanks, 8 tank-recovery vehicles, and associated support equipment (\$68 million); and small-arms ammunition (\$33.8 million).<sup>20</sup>

- **FMF.** As of June 30, 2012, none of the \$850 million in FY 2012 FMF program funding had been made available to OSC-I.<sup>21</sup>

## Major Changes to U.S. Facilities

Among the major changes to the U.S. Mission announced this quarter were:<sup>22</sup>

- the intent to transfer to the GOI control of Embassy Annex Prosperity by the end of 2013 (Prosperity is a former U.S. military base in the International Zone that houses a large number of contractor personnel)
- the closing of the consulate in Kirkuk by the end of July (the colocated OSC-I site will also close by September)
- the return of the Baghdad Police College Annex to the GOI by mid-December, after expending an estimated \$108 million to improve it for use as the main PDP site
- contract-submission requests for extensive upgrades to Embassy Baghdad's physical plant (estimated to cost \$60 million–\$80 million)

SIGIR issued its third audit of the PDP this quarter, finding that, of the \$745 million in FY 2010 and FY 2011 funds already appropriated and allocated for the program, at least \$118.2 million remained unused and available.



Prime Minister al-Maliki chairs a Council of Ministers meeting in Thi-Qar province in June 2012.  
(GOI photo)

## GOVERNANCE

### Efforts To Remove the Prime Minister: Legalities and Politics

Under Article 61 of the Iraqi Constitution, Iraqi President Talabani possesses the discretionary power to ask the Council of Representatives (CoR) to hold a vote of no confidence in the current government at any time. Alternatively, 65 members of the CoR may call for a no-confidence vote, but they must first secure the support of 25 members to question the Prime Minister formally before the CoR about his performance. In either circumstance, if an absolute majority of all members (163 of 325) vote to dismiss the Prime Minister, the entire government falls. In accordance with Article 76 of the Constitution, the President would then call on the head of the largest political alliance in the CoR to form a new cabinet.<sup>23</sup>

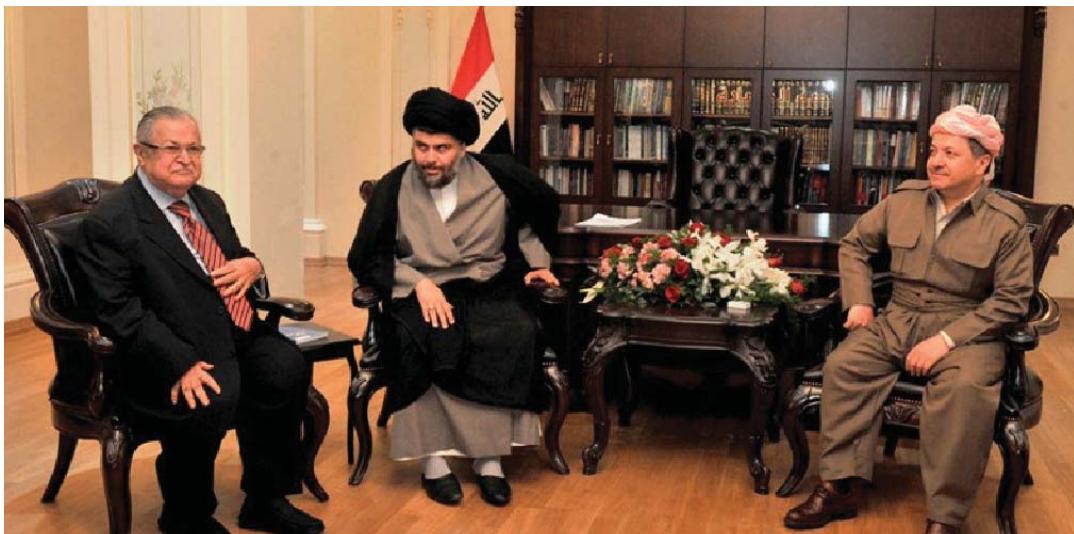
At an April 28 conclave in Erbil, Kurdistan Regional Government (KRG) President Barzani, al-Iraqiya bloc leader Ayad Allawi, CoR Speaker Osama al-Nujaifi, and Muqtada al-Sadr drafted a joint letter demanding the Prime Minister's action to address nine specific points within 15 days, or

they would initiate a no-confidence motion. The letter was sent to former Prime Minister Ibrahim al-Ja'afari, the head of the Shia National Alliance. Among other things, the letter called for:<sup>24</sup>

- implementation of the Erbil Agreement (the unpublished power-sharing accord that finally secured a second term for the Prime Minister in late 2010)
- an end to the concentration of powers in the Prime Minister's office
- the preservation of the rights of independent commissions (such as the Independent High Electoral Commission, or IHEC)
- the apolitical management of the ISF
- the imposition of a two-term limit on the office of Prime Minister

The 15-day time period set forth in the letter elapsed in mid-May without a substantive response. Figure 1.1 provides a timeline of these and other key political events this quarter.

In May and June, the Prime Minister's opponents—led by KRG President Barzani and al-Iraqiya's Allawi—attempted to gather 163 CoR members' signatures on a non-binding letter to President Talabani supporting the withdrawal of confidence from the current government.



Late April meeting of KRG President Massoud Barzani (right), GOI President Jalal Talabani (left), and cleric Muqtada al-Sadr (center) in Erbil to discuss the political situation in Iraq, including unresolved disagreements between the KRG and GOI. (KRG photo)

# SIGIR OBSERVATIONS

Reportedly, this effort secured the support of about 150 CoR members but failed to garner the 163 signatures. In part, this effort came up short because several members of al-Iraqiya, which won 91 seats in the March 2010 elections, have either formally defected from the bloc or publicly pledged their support for the Prime Minister. Consequently, in early June, President Talabani issued a statement noting that he would not call for a no-confidence vote because advocates of such a step failed to demonstrate sufficient support within the CoR.<sup>25</sup>

In late June, when the CoR reconvened after a seven-week break, some allies of the Prime Minister went on the offensive, launching a campaign to question and remove Speaker al-Nujaifi. Meanwhile, the Prime Minister's opponents continued to pursue removing him by the alternate constitutional means of calling him to appear before the CoR to answer questions, which could be followed by a no-confidence vote.<sup>26</sup>

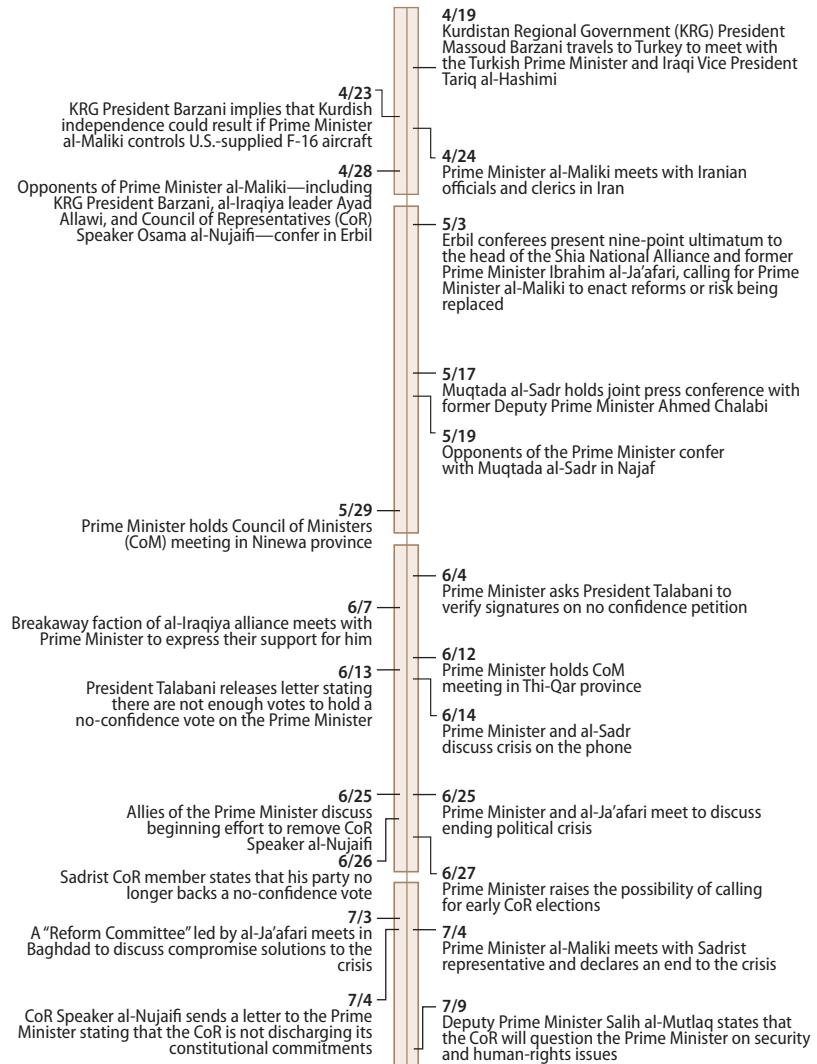
In a widely reported statement in early July, al-Sadr questioned if removing the Prime Minister from office would cause more problems than it would solve. Previously, he had alternated between harsh criticism of the Prime Minister and more carefully couched statements about the need for reforms.<sup>27</sup>

In mid-July, several political rivals of the Prime Minister, led by former Prime Minister al-Ja'afari, created a committee to consider compromise solutions to some of the major issues that prompted the crisis, including the lack of permanent security ministers and the scope of the Prime Minister's authorities.<sup>28</sup>

## Iraqi Public Opinion

Despite the ongoing political maneuvering, a U.S.-sponsored poll conducted in April found that 48% of Iraqis perceived the country as heading in the right direction, up from 37% in the fall of 2011. The increase was most apparent in the largely Shia south, home to many supporters of the Prime Minister. There, 65% of residents polled said that Iraq was going in the right direction, up from 42%

FIGURE 1.1  
KEY POLITICAL EVENTS, 4/15/2012–7/10/2012



Source: SIGIR analysis of open-source documents in English and Arabic, 4/2012–7/2012.

in October 2011. In contrast, 58% of the respondents in the mostly Sunni west (down from 68% in October 2011) and 64% of the respondents in the Kurdistan Region (up from 40% in October 2011) said Iraq was going in the wrong direction.<sup>29</sup>

One beneficiary of these somewhat positive results was Prime Minister al-Maliki, whose April job-approval rating stood at 53%, up from 34% in

One beneficiary was Prime Minister al-Maliki, whose April approval rating stood at 53%, up from 34% in the fall of 2011.

**TABLE 1.2**  
**PUBLIC OPINION OF PROMINENT IRAQI POLITICAL FIGURES, 4/2012**  
% of Respondents

POLITICIAN	APPROVE	DISAPPROVE
Prime Minister al-Maliki	52	35
Muqtada al-Sadr	48	33
Former Prime Minister Ja'afari	33	48
ISCI Leader Ammar al-Hakim	32	48
Al-Iraqiya Leader Ayad Allawi	31	57
CoR Speaker al-Nujaifi	24	50

**Source:** Greenberg Quinlan Rosner Research for NDI, "A Major Shift in the Political Landscape: Results from the April 2012 National Survey," 5/2012, p. 11, [greenbergresearch.com/articles/2763/7272\\_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.pdf](http://greenbergresearch.com/articles/2763/7272_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.pdf), accessed 6/14/2012.

Respondents were split (45%–45%) as to whether Iraq was a "real democracy," with 59% of Shia saying that it was, and 75% of Sunni Arabs and 49% of Kurds stating that it was not.

the fall of 2011. Of Iraqi Shia polled, 66% viewed the Prime Minister favorably, as opposed to only 14% of Sunni Arabs and 5% of Kurds. The Prime Minister's approval numbers were strongest in the south (83%) and in Baghdad (57%), with the predominantly Sunni west disapproving of his per-

formance by more than two to one and the Kurdish north by almost nine to one.<sup>30</sup>

The Prime Minister also saw a marked jump in support for his Dawa party among lower- and working-class Shia (referred to by the pollsters as "disaffected Shia"), with 29% proclaiming their support for it—up from 20% in September 2011—versus 17% of disaffected Shia expressing support for the Sadists. However, almost 70% of Arab Sunnis thought the Prime Minister had too much power, as did 58% of Kurds. And respondents were split (45%–45%) as to whether Iraq was a "real democracy," with 59% of Shia saying that it was, and 75% of Sunni Arabs and 49% of Kurds stating that it was not.<sup>31</sup> Table 1.2 compares the Prime Minister's approval rating with those of other prominent Arab political leaders in Iraq.

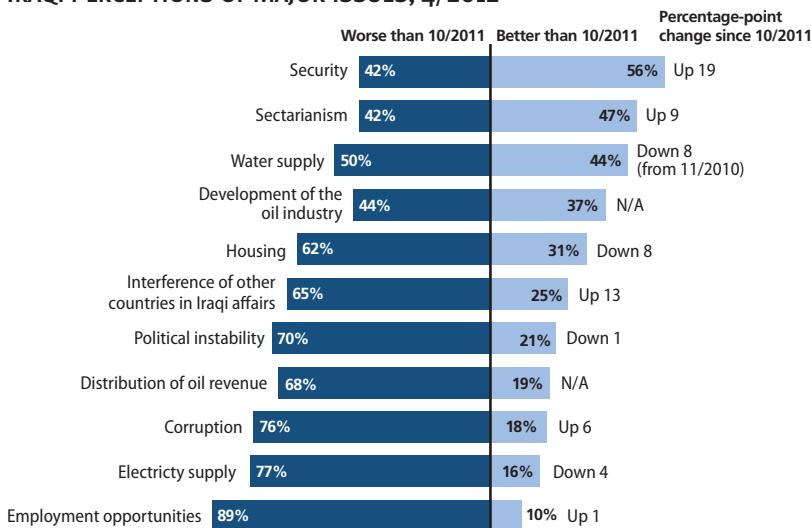
- Additional survey findings included:<sup>32</sup>
- 74% of respondents stated that it is important for Iraq to have a strong leader, even if that means giving up some freedoms.
  - If CoR elections were held at the time of the poll, 22% of respondents would vote for the Prime Minister's Dawa party (rises to 30% among likely voters), 12% for Allawi's al-Iraqiya (also 12% of likely voters), and 10% for the Sadists (12% of likely voters).
  - 68% would like to see an opposition bloc in the CoR proffer new policy alternatives.
  - When asked to name their top two concerns, 55% of the respondents said employment, 42% named services (electricity and water), 27% said security, and 23% said corruption.

Figure 1.2 provides polling data on whether Iraqis living outside of the Kurdistan Region believe that variety of key indicators have improved or deteriorated since October 2011.

### National Electricity Grid

The total supply of electricity on the GOI-administered national grid, which is separate from the KRG grid, set a new record this quarter, averaging approximately 6,200 megawatts (MW)—9% higher

**FIGURE 1.2**  
**IRAQI PERCEPTIONS OF MAJOR ISSUES, 4/2012**



**Note:** The questions on oil were not asked in the October 2011 poll, and the question on water supply was last asked in November 2010. Polling does not include the Kurdistan Region.

**Source:** Greenberg Quinlan Rosner Research for NDI, "A Major Shift in the Political Landscape: Results from the April 2012 National Survey," 5/2012, p. 24, [greenbergresearch.com/articles/2763/7272\\_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.pdf](http://greenbergresearch.com/articles/2763/7272_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.pdf), accessed 6/14/2012.

than last quarter and an 18% increase over the same quarter in 2011. Some of this increase stemmed from increased imports from Iran, which rose 16% from last quarter—and 62% from the same quarter last year—to about 1,050 MW.<sup>33</sup> But domestic production also received a boost this quarter with the completion of several relatively small power plants, including four diesel plants with a combined capacity of 900 MW that were built in less than one year.<sup>34</sup>

As of late June, the Ministry of Electricity (MOE) was overseeing the construction of other power plants with a combined capacity of 9,000 MW,<sup>35</sup> and it forecast that the amount of electricity supplied to the national grid would more than double by April 2013. One plant under construction, the 2,540 MW al-Zubaidya plant in Wassit, could become the largest power plant in the region. For now, however, demand dwarfs supply.<sup>36</sup>

The MOE reported that the power supplied by the national grid met consumer demand for only about 10 hours per day in June.<sup>37</sup> For more on the electricity situation in Iraq, see the Governance section.

## Human Rights

Three reports issued this quarter provided ample evidence that human rights violations continue to occur with disturbing regularity in Iraq. In its annual country report on human rights, DoS cited poor conditions at MOI and Ministry of Defense (MOD) detention facilities, arbitrary arrests, and press censorship as among the major human rights abuses occurring in Iraq. DoS added that one of the major problems is that the ISF tends to operate with “impunity,” with personnel rarely punished for human rights violations.<sup>38</sup> DoS also issued its Trafficking in Persons report this quarter, which found evidence of forced prostitution and non-consensual child labor in Iraq.<sup>39</sup> Echoing DoS’s findings, a May report by the United Nations Assistance Mission for Iraq concluded that the human rights situation in Iraq remains precarious, largely because of terrorist violence and inadequate rule-of-law institutions.<sup>40</sup> For more on human rights in Iraq, see the Governance section.

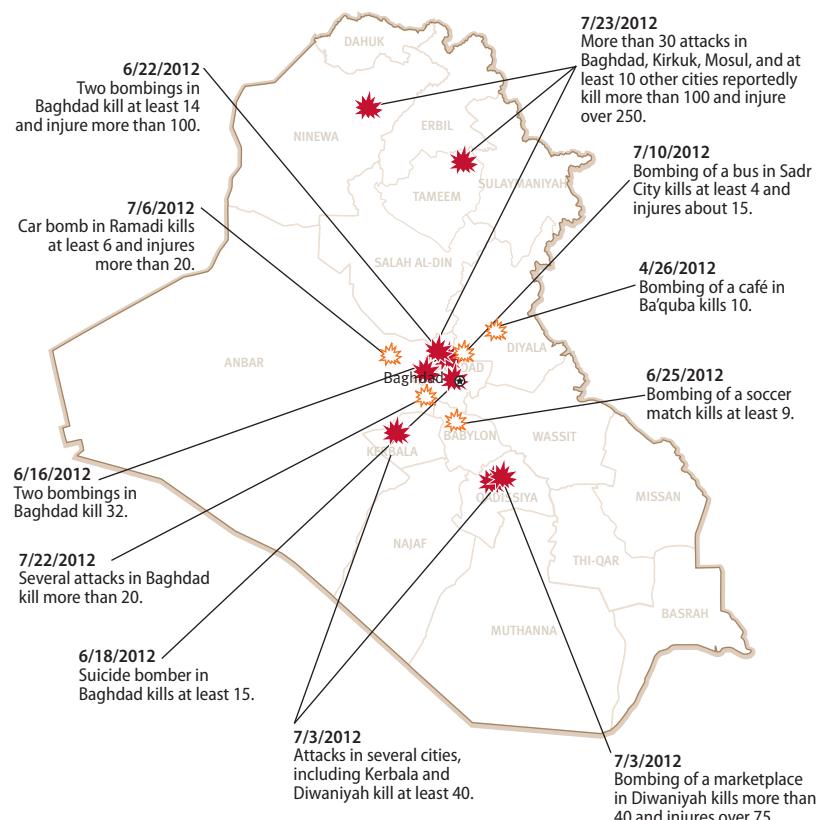
## SECURITY AND THE RULE OF LAW

### Attacks

According to the UN, the number of attacks in Iraq rose by 36% from March (239) to June (325).<sup>41</sup> Insurgents conducted several major mass-casualty bombings this quarter, many of which targeted Shia communities or gatherings of Shia pilgrims. In Iraq’s worst day of violence since 2010, more than 30 separate attacks killed over 100 people and injured more than 250 on July 23.<sup>42</sup> Figure 1.3 provides information on some of this quarter’s major attacks.

According to the UN, the number of attacks in Iraq rose by 36% from March to June.

**FIGURE 1.3**  
**SELECTED MAJOR SECURITY INCIDENTS, 4/20/2012–7/23/2012**



Note: All casualty figures are based on best available information.

Source: SIGIR analysis of GOI and U.S. government documents and open-source information in Arabic and English, 4/20/2012–7/23/2012.

## Developments in the Kurdistan Region

Against the unsuccessful effort by KRG President Massoud Barzani to remove Prime Minister Nuri al-Maliki from office, this quarter the KRG implemented a variety of incremental measures that, taken as a whole, increased its autonomy from Baghdad. These included:

**Establishing a KRG National Security Council (NSC).** In early July, President Massoud Barzani announced the formation of the KRG NSC, naming his son, Masrour Barzani, to head this new body. It will include representatives from the *Asai'ish* (the Region's domestic security agency), KRG military intelligence, and the KRG Information Agency.<sup>42</sup>

**Passing the 2012 Budget.** In late June, President Barzani approved a \$10.8 billion budget for the Kurdistan Region, touching off protests in Sulaymaniyah, where demonstrators claimed that the budget-approval process lacked transparency. The budget includes funds for hiring 17,000 more government workers, and the KRG Prime Minister ordered the creation of a special committee to develop a strategy to fill these positions expeditiously. Under an agreement with Baghdad, the KRG contends that it is entitled to 17% of Iraq's national budget, which was \$100.1 billion in 2012. KRG representatives argued that Baghdad deducted a larger amount than was appropriate under the agreement to pay for federal expenses, resulting in the Region receiving only about 10.7% of 2012 GOI budget.<sup>43</sup>

**Leveraging the KRG's Electricity Advantage.** The KRG operates its own electricity grid that is independent from the national grid administered by the Ministry of Electricity in Baghdad. In June, the rest of Iraq received an average of about 10 hours of power per day from the Baghdad-administered national grid—less than half the 20–22 hours per day available to residents of the Kurdistan Region. The KRG grid is powered



KRG and Turkish officials break ground on an upgrade of a power plant in Erbil in July 2012. (KRG photo)

primarily by three privately owned plants with a combined nameplate capacity of 2,250 MW. This quarter, the KRG announced plans to build a fourth major plant that would reportedly add another 980 MW to the KRG grid. Over the past year, the KRG has attempted to leverage the relative success of its electricity sector to exert an increased measure of control over disputed territories in Tameem and Ninewa provinces. In June 2011, the KRG began exporting power to Tameem province (this quarter averaging about 227 MW), which is home to the contested city of Kirkuk. This quarter, the KRG announced that it was once again importing power from Turkey—renewing a contract that the GOI allowed to expire in early 2011—and tying this transmission line to another line servicing Mosul and its environs, pointedly stating that any interruptions would only “harm the inhabitants of Mosul.”<sup>44</sup>

**Exporting oil and gas through Turkey.** The ongoing dispute between the KRG and the GOI over reimbursement for oil exports from the Kurdistan Region continued this quarter, as the KRG did not export any of the 175,000 barrels per day (BPD) it had committed to earlier this year. In late May, the KRG Minister of Natural Resources announced plans to build new pipelines to Turkey that would include an export route bypassing Baghdad's control. According to KRG officials, the first of these pipelines could reach the Turkish border by next summer,

but the deal has not been finalized and continues to be strongly opposed by the GOI. However, in early July, the KRG announced that it had begun exporting modest amounts of oil via tanker truck to Turkey.<sup>45</sup>

**Enhancing relations with foreign countries.** In June, Poland opened a consulate in Erbil, bringing to 25 the number of countries with an official presence in the Region. Also in June, the KRG opened a Representation Office in Austria. At the ceremony inaugurating the new KRG office in Vienna, the Austrian government announced that it would soon reciprocate by establishing a permanent presence in the Region. Earlier this quarter, Sweden opened an Embassy Section Office and Trade Council Office in Erbil as well. Other countries actively considering expanding diplomatic relations with the Region include the Czech Republic, Hungary, and Slovakia. In addition to deepening its diplomatic relations with other countries, the KRG recently announced that it would be strengthening its transportation links to the Gulf states. For example, in late May, Qatar Airways announced that it would begin passenger flights to Erbil four days a week. Similarly, Emirates, the United Arab Emirates flagship airline, announced that it would follow suit in August, flying passengers to Erbil four times a week. Emirates has been conducting regular cargo flights to the Region since February 2011.<sup>46</sup>

# SIGIR OBSERVATIONS

## Assassinations

Anti-government forces continue to target prominent Iraqis for assassination. From mid-April through July 1, at least 32 senior GOI officials and prominent civilians were killed in apparent assassinations, up from 17 during the three-month period between mid-January and mid-April. Terrorists often targeted MOD and MOI officers, including the April 22 assassination of an Iraqi Army brigadier general in Baghdad and the botched attempt on the life of an MOI colonel in Baghdad on May 14.

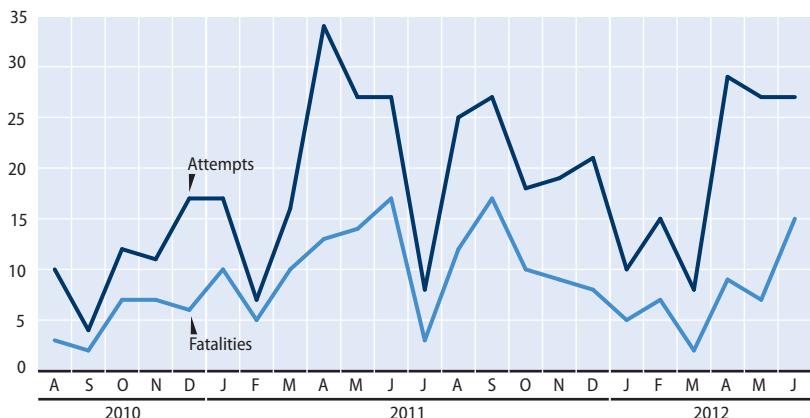
Assassins also continued their nine-year assassination campaign against Iraqi judges this quarter, killing two judges based in Ninewa province and failing in their attempts to murder several others. As Iraqi Chief Justice Medhat al-Mahmoud pointed out to the Inspector General in their April 30 meeting, “the terrorists have changed their strategy from regular bombs . . . to sticky bombs [planted on automobiles] and planting bombs around the homes of their targets.”<sup>48</sup> Figure 1.4 compares the number of monthly assassination attempts to the number of successful assassinations from August 1, 2010, through June 30, 2012. For more information on this quarter’s major attempted and successful assassinations, see the Security and Rule of Law section.

## Iraqi Security Forces

The GOI recently announced that the long-planned transition of security responsibilities for Baghdad from the MOD to the MOI would be implemented in phases over an unspecified period of time, ultimately leaving MOI in charge of security in about 75% of the city. Under this plan, the MOD would retain responsibility for key GOI facilities and several public spaces. In early July, the Acting Minister of Defense, Sa’adoun al-Dulaimi, reported that the nationwide transition of the domestic-security portfolio would also unfold gradually. The MOI would initially take responsibility for provinces rated by a joint MOD-MOI committee as “secure,”

FIGURE 1.4

### ASSASSINATIONS OF SENIOR IRAQI OFFICIALS, ATTEMPTS VS. FATALITIES, 8/2010–6/2012



Note: May not capture all attempted assassinations and fatalities during the specified time period.

Source: SIGIR analysis of open-source documents in Arabic and English, 8/2010–6/2012.

before eventually assuming control over provinces judged to be more unstable.<sup>49</sup>

## Rule-of-law Developments

In May, the much-anticipated trial in absentia of Vice President Tariq al-Hashimi, a Sunni member of al-Iraqiya bloc, commenced in Baghdad. Al-Hashimi is accused of complicity with multiple assassinations. The initial proceedings saw several evidentiary decisions go against al-Hashimi, as multiple witnesses testified that he or his agents paid them to carry out murders in 2009 and 2011. As of mid-July, the trial stands in adjournment.

Other significant judicial events this quarter included:<sup>50</sup>

- the acquittal of Lebanese national Ali Musa Daqduq of involvement in the murders of U.S. military personnel in 2007 (Daqduq remains in Iraqi custody)
- the sentencing of a former MOI Director General to four years in prison for purchasing ineffective bomb-detection equipment from a British contractor
- the sentencing of a former Director General of a state-owned construction company to five years

In May, the much-anticipated trial in absentia of Vice President Tariq al-Hashimi, a Sunni member of al-Iraqiya bloc, commenced in Baghdad.

- in prison for conspiring to spend more than \$15 million of public money on personal items
- the issuance of a report by Iraq's main anticorruption agency, the Commission of Integrity (COI), that only 33% of provincial governors and 55% of ministers had submitted their mandatory financial disclosure forms as of July 10

### Corruption

The COI recently released its *Annual Report for 2011*. According to the report, the COI referred 5,682 individuals to court on various corruption charges in 2011—57% of whom were accused of the relatively minor offenses of forging educational or professional credentials (1,583) or “wasting” or “damaging” state funds (1,650).<sup>51</sup>

The two main anticorruption agencies established by the United States—the COI and the inspectors general (IGs)—continue to struggle to establish themselves in the minds of the Iraqi populace. According to the 2011 Iraq Knowledge Network survey, less than 25% of respondents said they would report a suspected act of public corruption to the COI, with less than 10% saying that they would tell an IG. Of the Iraqi institutions asked about in the survey, political parties were regarded as the most corrupt, with 62% of respondents describing them as very much or somewhat affected by corruption.<sup>52</sup> The Security and Rule of Law

section of this Report provides additional details on corruption in Iraq, including an interview with the head of the IG professional association.

## ECONOMY

### Macroeconomic Trends and Perceptions

In response to global economic uncertainty, the IMF revised Iraq's projected gross domestic product growth for 2012 downward this quarter from 12.6% to 11.1%.<sup>53</sup> Still, according to an April 2012 poll, the majority of Iraqis (52%) viewed the national economy as strong, with only about one-third describing it as weak. This represents an almost complete turnaround in popular opinion from September 2011, when 49% of respondents thought the economy was weak, and only 33% described it as strong.<sup>54</sup> Figure 1.5 tracks Iraqi perceptions of the national economy from late 2010 through April 2012.

### Oil: Record Production and Exports

Iraq's oil production and export levels both set post-2003 record highs. Crude oil production averaged 2.93 million barrels per day (MBPD) for the first two months of the quarter, a 12% jump from last quarter. (Production figures for June were not yet available.) Exports for the quarter averaged 2.45 MBPD, 14% above the first quarter level. These increases were largely attributable to increased output from Iraq's southern fields and the completion this spring of two new offshore single-point mooring stations.<sup>55</sup>

Higher-than-projected oil prices enabled the GOI to earn \$22.78 billion from oil exports this quarter, ahead of estimates in the 2012 budget. But onshore pumping weaknesses and limited pipeline capacity could make it difficult for the GOI to increase exports significantly over the next year. Consequently, any sharp decline in the price of

According to an April 2012 poll, the majority of Iraqis (52%) viewed the national economy as strong, with only about one-third describing it as weak.

FIGURE 1.5

PUBLIC OPINION ON THE STRENGTH OF IRAQ'S ECONOMY, 11/2010–4/2012  
% of Respondents



Source: Greenberg Quinlan Rosner Research for NDI, “A Major Shift in the Political Landscape: Results from the April 2012 National Survey,” 5/2012, p. 6, [greenbergresearch.com/articles/2763/7272\\_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.ndf](http://greenbergresearch.com/articles/2763/7272_NDI-Iraq%20-%20April%202012%20National%20Survey%20-%20Presentation.ndf), accessed 6/14/2012.

oil—especially if it were to trade below the \$85-per-barrel assumption contained in Iraq's 2012 budget for an extended period of time—could adversely affect Iraq's economy and the GOI's ability to finance reconstruction and development projects.<sup>56</sup>

## Fourth Petroleum Licensing Round

On May 30–31, the GOI conducted its fourth licensing round, offering 12 exploration blocks to foreign investors. Although 39 companies participated, just 7 bids were generated, and only 3 of were successful. Pakistan Petroleum, a consortium led by Russia's Lukoil, and the Kuwait Energy Company won the rights to exploration blocks in Diyala (gas), Muthanna (oil), and Basrah (oil), respectively. Subsequently, the GOI entered into an agreement with the Russian firm Bashneft for an oil-exploration block in Najaf, bringing to 4 the number of deals that resulted from this round. The Prime Minister's chief advisor on this licensing round ascribed the underwhelming results to the proximity to the Syrian border of several of the blocks on offer.<sup>57</sup> For details on the fourth licensing round, see the Economy section.

## Diversifying the Iraqi Economy

The Ministry of Planning and Development Cooperation has begun work on Iraq's next five-year *National Development Plan*, which will cover the years 2013–2017.<sup>58</sup> Central both to the current and upcoming national plans is the goal of keeping a greater amount of Iraqi private capital invested in Iraq. The Minister of Planning and Development Cooperation recently noted that achieving this objective is challenging because neighboring countries provide more attractive investment climates relative to Iraq. Nevertheless, Iraq continues to attract significant amounts of foreign investment. From April 1 to June 30, the GOI agreed to terms with foreign companies on more than 10 major projects. Figure 1.6 provides examples of international investment activity in Iraq this quarter.

## SIGIR OVERSIGHT

### Audits

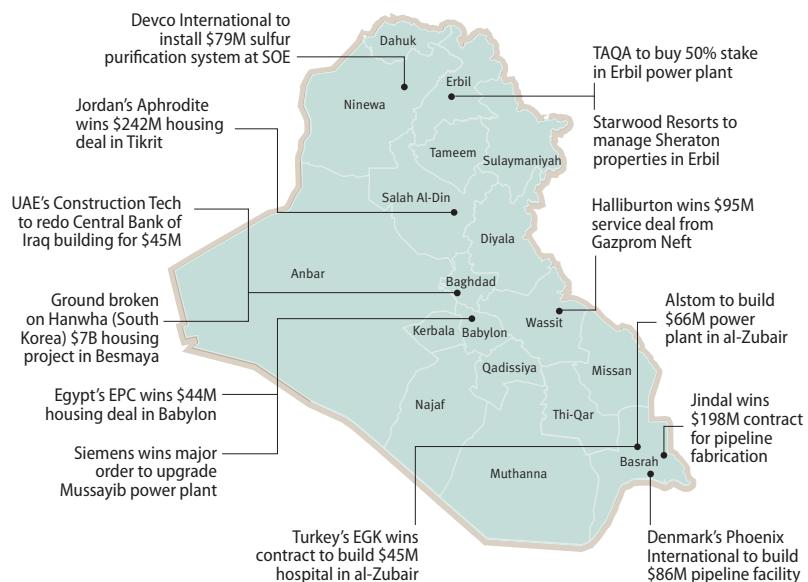
To date, SIGIR has published 214 audits. This quarter's 4 audits reviewed:

- INL's Police Development Program.** The PDP has been significantly downsized since it began operations in fall 2011. The diminution stemmed chiefly from weak GOI support for the effort. High-ranking GOI officials had said that the program did not meet MOI's needs. The funding provided to the PDP now exceeds its actual costs. Of the \$745 million already appropriated and allocated for the program in FY 2010 and FY 2011, at least \$118.2 million was unused as of March 2012 and remained available for INL to draw on for the remainder of FY 2012. It is unlikely that an FY 2013 appropriation will be needed.

The funding provided to the PDP now exceeds its actual costs.

FIGURE 1.6

### INTERNATIONAL INVESTMENT ACTIVITY, SELECTED CONTRACTS, 4/2012–6/2012



Sources: U.S. Chamber of Commerce/Dunia Frontier Consultants, "Investing in Iraq," 5/2012, p. 2, and 6/2012, p. 2; MEES, *Weekly Report*, Vol. 55 No. 25, 6/18/2012, p. 25.

- **Status of the FY 2011 ISFF.** As of June 26, 2012, approximately \$765.33 million of the \$1.15 billion in FY 2011 ISFF funds had been committed and obligated for the purchase of ammunition, spare parts, vehicles, training services, and sustainment-related expenses. DoD plans to use remaining funds to purchase logistics support for the Iraqi Air Force, armored vehicles, a reconnaissance and surveillance system, training, and other items.
- **SIGIR Final Forensic Audit Findings.** This report summarizes the results of SIGIR's forensic audits and investigations of Iraq reconstruction funds, meeting the congressional requirement for a final forensic audit report. The report recaps how SIGIR audits, inspections, and investigations found serious weaknesses in the government's controls over Iraq reconstruction funds, putting billions of taxpayer dollars at risk of being wasted or misappropriated. While the precise amount lost to fraud and waste can never be known, SIGIR believes it is significant. Such weaknesses in internal controls also provided opportunities for some individuals to commit fraud. SIGIR investigators, working with other federal and international investigative agencies, have developed information subsequently used to indict 87 individuals (of whom 66 have so far been convicted) for fraudulent activities, including bribery, the theft of government funds and property, submission of inflated invoices, and delivery of insufficient or inferior goods to U.S. personnel operating in Iraq.
- **U.S. Agencies' Reviews of Contractor Business Systems.** This report examined the extent to which the U.S. government has performed business-system reviews of DoD contractors that operated in Iraq from 2004 to 2011 and whose work amounted to less than \$100 million annually. SIGIR focused on four key contractor business systems—accounting, billing, estimating, and purchasing—and found multiple review-coverage gaps in its sample

At least 719 individuals were killed while working on missions specifically related to SROs between May 1, 2003, and August 31, 2010.

of 35 DoD contractors. For example, U.S. agencies reviewed one or more of the four key systems of 21 contractors. Of these, however, the government reviewed all four systems for only five of them. In addition, 11 contractors had not been reviewed for four or more years, raising concerns about whether their controls were still adequate to reduce the risk of overcharges. While most contractors had their accounting and billing systems reviewed, less than one-third had a similar examination of their estimating and purchasing systems. DoD has taken some actions to improve its oversight, but SIGIR believes smaller contractors operating in contingency environments need additional oversight because of the increased risks associated with operating in such settings.

For detailed summaries of these audits, see Section 5.

## Human Toll of Stabilization and Reconstruction Operations

This quarter, SIGIR published the second of three Special Reports examining the efficacy of the Iraq reconstruction program, as well as its consequences. *The Human Toll of Reconstruction and Stabilization during Operation Iraqi Freedom* attempts to account for the number of personnel—U.S. servicemembers and civilians, Iraqis, and third-country nationals—who were killed while engaging in stabilization and reconstruction operations (SROs) (not in combat or those who died from natural causes, in accidents, or by suicide).

Based on the best available data from DoD, DoS, USAID, the Department of Labor, and the U.S. Army Corps of Engineers, SIGIR determined that at least 719 individuals were killed while working on missions specifically related to SROs between May 1, 2003, and August 31, 2010. This includes 318 Americans (264 military personnel and 54 civilians), 271 Iraqis, 111

# SIGIR OBSERVATIONS

## The Inspector General Briefs Prime Minister Nuri al-Maliki on SIGIR Oversight of the Development Fund for Iraq (DFI)

On April 29, the Inspector General met with Prime Minister Nuri al-Maliki in Baghdad to discuss SIGIR oversight of the Development Fund for Iraq (DFI). Established in 2003 by United Nations Security Council Resolution (UNSCR) 1483, the DFI was managed by the Coalition Provisional Authority (CPA) during the 14-month period in 2003–2004 when it served as the de facto government of Iraq. The DFI account at the Federal Reserve Bank of New York (FRBNY) held Iraqi funds obtained from oil and gas sales, certain remaining deposits from the Oil for Food program, and repatriated national assets. Under UNSCR 1483, the CPA was to use DFI funds for the benefit of the Iraqi people, including financing reconstruction and civil-administration programs as well as humanitarian initiatives. Of the \$20.7 billion in DFI funds that the CPA had control over, it directed the expenditure of about \$14.1 billion, including \$5.9 billion disbursed directly from FRBNY through Electronic Fund Transfer (EFT) payments.<sup>59</sup>

In his meeting with the Prime Minister, the Inspector General summarized SIGIR's recent oversight findings and briefed the Prime Minister on upcoming audits addressing the U.S. management of Iraqi funds. Topics addressed included:<sup>60</sup>

- **DoD's inability to account for DFI funds used after the CPA dissolved.**

The CPA completed its mission on June 28, 2004. In the wake of the CPA's dissolution, the GOI authorized DoD to use \$3 billion in DFI funds to make payments on contracts awarded by the CPA. Most of the funds (\$2.8 billion) were held in an FRBNY sub-account, with the remainder (\$217 million) held in a vault in the Republican Palace in Baghdad. A SIGIR audit issued in January 2012 found that DoD could not account for about two-thirds of this



The Inspector General and Prime Minister al-Maliki meet in April 2012 to discuss the Development Fund for Iraq.

money. Although FRBNY records show that DoD made about \$2.7 billion in payments from the sub-account, DoD could provide SIGIR with documentation supporting only about \$1 billion. DoD's inability to locate key financial documentation prevented SIGIR from conducting a thorough and complete audit of the DFI. The Prime Minister expressed his gratitude on behalf of the Iraqi people for SIGIR's efforts to track this money, but stated that he was gravely concerned about the disposition of these funds, which rightly belong to the people of Iraq.

- **CPA's financial controls for EFT payments.** In reviewing SIGIR's April 2012 audit of \$5.9 billion in EFT payments from the DFI, the Inspector General told the Prime Minister that the CPA's record was mixed. Most EFT transactions made in 2003 were well documented. However, EFT payments made in 2004 often lacked the key financial documentation. For example, the almost complete absence of records relating to \$44 million in EFT payments that allegedly financed some Iraqis' Hajj pilgrimages made it impossible for SIGIR to determine what, if any, services were received for these expenditures. In SIGIR's review of 2004 EFT transactions, the documents most often missing were receiving reports—essentially the paperwork that would detail what exactly

was obtained in return for the funds expended. The Prime Minister concurred with SIGIR that adequate oversight was lacking in the early years of the U.S. reconstruction effort, and noted that the GOI has established its own committee, staffed in part by international attorneys, that has been charged with tracing and repatriating DFI funds.

- **Upcoming DFI oversight.** The Inspector General informed the Prime Minister that SIGIR will be issuing two more reports examining the use of Iraqi funds. This fall, SIGIR will publish an audit of the \$2.4 billion in DFI funds spent by the U.S. Army Corps of Engineers during and after the CPA's tenure. In addition to this audit, SIGIR will also issue a final, comprehensive capping report on U.S. management of Iraqi funds. This report will review the status of the \$20.7 billion in DFI funds that were under the control of the CPA and look at how the U.S. handled smaller programs that used Iraqi funds, such as the Iraq-Commander's Emergency Response Program (I-CERP). Expressing satisfaction with SIGIR's oversight strategy, the Prime Minister noted that the GOI is also contemplating taking legal action to recover DFI funds and seek appropriate sanctions against those who allegedly misused them.

third-country nationals, and 19 others. Most of the casualties, at least 513 personnel (71%), died while supporting projects developing Iraq's infrastructure and civil society. The paucity of accurate and complete data means that these figures represent the minimum number of personnel killed while conducting SROs. The actual total, especially for Iraqi deaths, was certainly significantly higher.

### Investigations

Since 2004, the work of SIGIR's Investigations Directorate has resulted in 90 indictments, 72 convictions, and \$177.0 million in court-ordered fines, forfeitures, and other monetary penalties. The Insert accompanying this Report examines one of SIGIR's most significant cases—the "Cockerham Conspiracy"—which to date has led to 22 convictions and more than \$61 million in monetary penalties from 14 of those convictions.

This quarter, significant investigative accomplishments included:

- On May 16, Amasha King, a U.S. Army Reserve sergeant, was sentenced to 3 months in prison and 5 years probation and ordered to pay \$20,500 in restitution for receiving payments from a DoD contractor in return for preferentially processing that contractor's invoices, thereby allowing the contractor to be paid more expeditiously and, ultimately, to bid for more contracts than it otherwise could have financed.
- On May 17, former U.S. Army Major Nicole Luvera pled guilty to stealing \$48,000 from funds set aside to pay obligations incurred by the United States while she was serving as the deputy disbursing officer at Camp Speicher in Iraq from July 2007 to September 2008. As part of the plea agreement, she has agreed to repay the \$48,000. At her sentencing in August, she faces up to 10 years in prison and a fine of \$250,000.
- On May 21, British citizen Ahmed Kazzaz pled guilty to paying more than \$947,500 in unlawful kickbacks to two individuals employed by a prime contractor to the U.S. government in order to receive subcontracts valued at more than \$23 million. The work performed under the subcontracts involved the clearing, storing, and disposing of weapons seized or abandoned in Iraq from 2003 through 2008 under the Coalition Munitions Clearance Program. His two co-conspirators pled guilty earlier this year and are awaiting sentencing. Kazzaz is scheduled to be sentenced in October.
- On June 1, U.S. Army Captain Michael Rutecki was sentenced to three years of probation and ordered to pay \$12,500 in monetary penalties for accepting bribes—including 15 gold coins valued at more than \$10,000—from an Iraqi contractor in return for assisting the contractor in obtaining CERP contracts from the U.S. government.
- On June 6, U.S. Army Major Christopher Bradley was sentenced to serve six months in prison followed by one year of supervised release and ordered to pay \$20,000 restitution for accepting \$20,000 in illegal gratuities while serving in Mosul in 2008. He received these illicit payments in exchange for illegally providing special treatment to a contractor, including helping employees of that contractor circumvent security procedures on a U.S. military base.
- On June 13, retired U.S. Army Lieutenant Colonel Derrick Shoemake was sentenced to three years and five months in prison followed by two years of supervised release and ordered to pay \$250,000 in monetary penalties for receiving bribes from two government contractors in exchange for providing improper assistance to them during his tenure as a contracting officer's representative at Camp Arifjan in 2005 and 2006.
- On June 25, U.S. Army Sergeant First Class Richard Evick and his associate, Crystal Martin, were convicted on all counts of an eleven-count indictment in connection with their roles in a wide-ranging bribery and money-laundering scheme at Camp Arifjan. Evick played a crucial role in improperly steering contracts worth

One of SIGIR's most significant cases—the "Cockerham Conspiracy"—has led to 22 convictions and more than \$61 million in monetary penalties.

# SIGIR OBSERVATIONS

nearly \$24 million to certain companies in exchange for receiving about \$170,000 in bribes. Martin conspired with Evick to launder much of the bribe money through a concession she controlled at the Camp Arifjan post exchange (PX). To conceal their ill-gotten gains, Evick and Martin also smuggled cash into the United States and converted some of the bribe money to Western Union wires, money orders, cashier's checks, and personal checks. Evick and Martin face a maximum sentence of 5 years in prison for bribery conspiracy, 20 years in prison for money-laundering conspiracy, and 20 years in prison for each count of money laundering. Evick also faces a maximum of 15 years in prison for each count of bribery, 5 years for obstructing an agency proceeding, and the forfeiture of the proceeds of his bribe scheme, which includes his West Virginia residence. Evick and Martin also face maximum fines of \$250,000 per count.

- On July 9, David Welch, a former employee of a U.S. government contractor, was sentenced to two years in prison followed by three years of supervised release and ordered to pay \$160,000 in restitution for conspiring to steal and resell on

the Iraqi black market 38 generators belonging to the U.S. government. Welch and his co-conspirator planned and executed this scheme while Welch was working at a U.S. military base near Baghdad in 2011.

As of early July, SIGIR had 97 open investigations, most of which were being conducted in close cooperation with other federal law-enforcement agencies.

## SIGPRO

In 2010, SIGIR expanded its investigative capacity by hiring three experienced federal prosecutors and detailing them to the Department of Justice to work on cases related to the Iraq reconstruction program. This quarter, in *United States v. Pfluger*,<sup>61</sup> a case prosecuted by a SIGIR Prosecutorial Initiative (SIGPRO) attorney, the U.S. Court of Appeals for the Fifth Circuit upheld the lower court's ruling. It held that the Wartime Suspensions of Limitations Act operated to suspend the statute of limitations for certain frauds committed against the United States during the pendency of the war in Iraq. Consequently, the defendant's conviction was upheld.♦

This quarter, in *United States v. Pfluger*, a case prosecuted by a SIGPRO attorney, the U.S. Court of Appeals upheld the lower court's ruling.

# FUNDING FOR IRAQ RECONSTRUCTION

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SECTION

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2

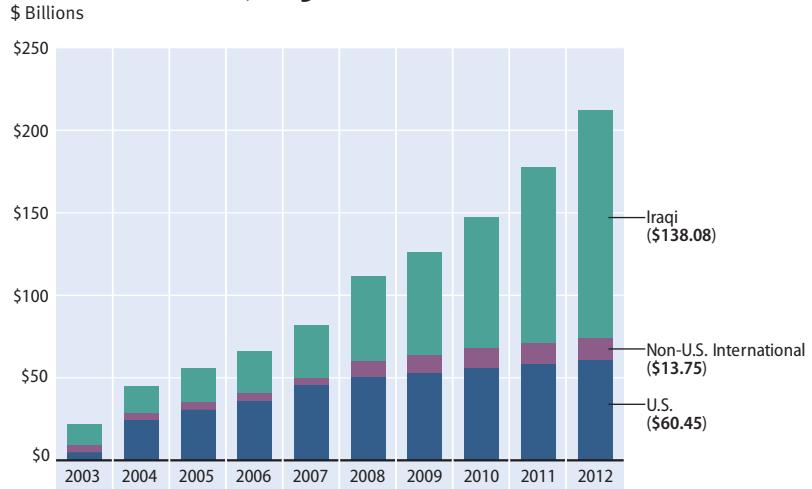
## FUNDING OVERVIEW

As of June 30, 2012, \$212.29 billion had been made available for the relief and reconstruction of Iraq through three main sources:

- Iraqi funds overseen by the Coalition Provisional Authority (CPA) and the Iraqi capital budget—\$138.08 billion, including \$31.88 billion made available for capital expenditure in Iraq's 2012 budget<sup>62</sup>
- U.S. appropriations—\$60.45 billion, including \$2.23 billion made available through FY 2012 appropriations<sup>63</sup>
- International commitments of assistance and loans from non-U.S. sources—\$13.75 billion<sup>64</sup>

For a historical overview of U.S., Iraqi, and international support for Iraq reconstruction, see Figure 2.1. ♦

**FIGURE 2.1  
CUMULATIVE U.S., IRAQI, AND NON-U.S. INTERNATIONAL SUPPORT FOR RECONSTRUCTION, 2003–2012**



**Note:** Data not audited. Numbers affected by rounding. U.S. contributions are represented by U.S. fiscal year. Iraqi and non-U.S. International contributions are represented by calendar year. Iraqi funding reflects capital budgets for 2003–2005 and 2011–2012, as well as actual capital expenditures for 2006–2010.

**Sources:** P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; P.L. 112-74; GOI, CoR, “Federal Budget Law for the Fiscal Year/2012,” articles 1, 2, 36, 2/23/2012, [www.parliament.iq](http://www.parliament.iq), accessed 2/24/2012, and “Federal Public Budget Law for the Fiscal Year 2011,” 2/23/2011, Article 2; GOI, MOF, information provided to SIGIR, 6/27/2011; “GOI Budget” (as approved by TNA and written into law December 2005); GOI, Presidency of the Iraqi Interim National Assembly, “The State General Budget for 2005,” 2005; GOI, MoPDC, “Indicators of the Investment Budget for Year 2010,” Table 17, 2011, [www.mop.gov.iq/mop/resources/pdf/About%20MOP/Economical%20Report/Report%203.doc](http://www.mop.gov.iq/mop/resources/pdf/About%20MOP/Economical%20Report/Report%203.doc), accessed on 7/11/2012; GOI, “Budget Revenues and Expenses 2003, July–December,” 2003; SIGIR, Quarterly and Semiannual Reports to the United States Congress, 3/2004–4/2011; U.S. Treasury, responses to SIGIR data calls, 1/4/2008 and 4/8/2009; World Bank, “World Bank Operations in Iraq,” 12/31/2011, [siteresources.worldbank.org/IRFF/Resources/DatasheetDecember2011.pdf](http://siteresources.worldbank.org/IRFF/Resources/DatasheetDecember2011.pdf), accessed 3/16/2012; Embassy of Japan in Iraq, press release, “Provision of Yen Loan to Iraq,” 5/29/2012, [www.iraq.embjapan.go.jp/Press\\_Releases/Press\\_release\\_2012\\_No13.html](http://www.iraq.embjapan.go.jp/Press_Releases/Press_release_2012_No13.html), accessed 6/26/2012; NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/5/2011, 4/7/2011, 4/15/2011, 7/12/2011, 9/28/2011, 3/27/2012, 3/28/2012, 6/28/2012, 6/29/2012, and 7/2/2012; USAID, responses to SIGIR data calls, 10/6/2008 and 7/5/2012; DRL, response to SIGIR data call, 7/9/2012; ECA, response to SIGIR data call, 4/14/2010; OUSD(C), responses to SIGIR data calls, 10/14/2010 and 7/11/2012, and “United States Department of Defense Fiscal Year 2012 Budget Request,” Overview, 2/2012, p. 6–6; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009; DCAA, response to SIGIR data call, 10/4/2011; SIGIR Audit 11-007, “Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds,” 12/28/2010; U.S. Treasury, OTA, “Office of Technical Assistance Overview,” 12/30/2005, [us.treas.gov/offices/international-affairs/assistance/](http://us.treas.gov/offices/international-affairs/assistance/), accessed 10/16/2009; PM, response to SIGIR data call, 7/6/2011; DoJ, Justice Management Division, response to SIGIR data call, 4/3/2012; BBG, response to SIGIR data call, 3/7/2011; ABO, response to SIGIR data call, 1/18/2012; INL, response to SIGIR data call, 7/10/2012; TFSO, response to SIGIR data call, 1/4/2011; USAID, “U.S. Overseas Loans and Grants [Greenbook],” 2008, [gbk.eads.usaidallnet.gov/query/do\\_program=eads/gbk/countryReport&unit=N](http://gbk.eads.usaidallnet.gov/query/do_program=eads/gbk/countryReport&unit=N), accessed 4/15/2010; DoS, “Executive Budget Summary Function 150 & Other International Programs, Fiscal Year 2013,” p. 173, and “Congressional Budget Justification: Foreign Assistance,” Summary Tables, FY 2009–FY 2011; OMB, response to SIGIR data call, 6/21/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

## U.S. FUNDING

Total funding for Iraq relief and reconstruction through the major funds dropped by \$715 million.

Since 2003, the United States has appropriated or otherwise made available \$60.45 billion for relief and reconstruction efforts in Iraq.<sup>65</sup> This represents a \$0.66 billion decrease from what SIGIR reported in April 2012, predominantly resulting from a \$370 million reduction from the FY 2012 International Narcotics Control and Law Enforcement (INCLE) and a \$345 million reprogramming reduction from the FY 2011 Iraq Security Forces Fund (ISFF). Of the \$60.45 billion total that has been made available, \$52.80 billion had been obligated, and \$51.08 billion had been expended as of June 30, 2012.<sup>66</sup>

Nearly \$51.46 billion, or more than 85%, of the funding has been provided through five major funds. Two of those funds—the Iraq Relief and Reconstruction Fund (IRRF) and the Commander’s Emergency Response Program (CERP)—are inactive; all of the funds appropriated to them have expired, and they are no longer available for obligation to new activities. The other three funds—the ISFF, the Economic Support Fund (ESF), and the INCLE—remain active, with unexpired appropriations still available for obligation to new activities.<sup>67</sup>

- **ISFF**—\$20.19 billion appropriated, \$19.14 billion obligated, and \$18.40 billion expended; \$435 million is available for obligation to new activities.<sup>68</sup>
- **ESF**—\$5.13 billion appropriated, \$4.55 billion obligated, and \$4.11 billion expended; \$328 million is available for obligation to new activities.<sup>69</sup>
- **INCLE**—\$1.31 billion appropriated, \$1.05 billion obligated, and \$916 million expended; \$263 million is available for obligation to new activities.<sup>70</sup>

For the status of the three active funds, see Figure 2.2. For additional details on all five major funds, see Appendix C. For an overview of all U.S. appropriations supporting Iraq reconstruction, including \$8.99 billion available through several smaller funding streams, see Table 2.1. and Figure 2.3.

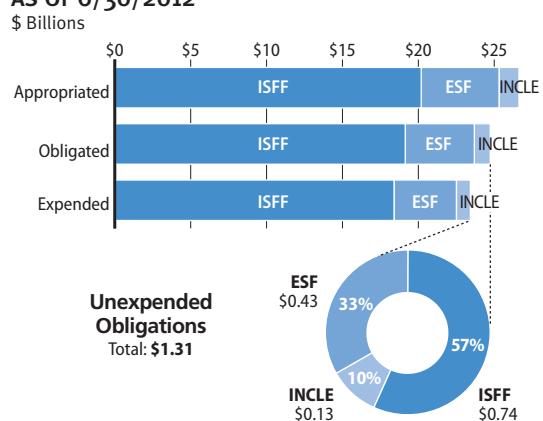
### Changes in FY 2011 and 2012 Appropriations and Allocations

Since SIGIR’s April 2012 Quarterly Report, the Department of Defense (DoD) reprogrammed \$345 million of the FY 2011 ISFF, and the Department of State (DoS) decreased its FY 2012 allocation to the INCLE account for Iraq by \$370 million. As a result, total funding for Iraq relief and reconstruction through the major funds dropped by \$715 million.<sup>71</sup>

### ISFF Reprogramming

The Department of Defense and Full-Year Continuing Appropriations Act, 2011 (P.L. 112-10), appropriated \$1.5 billion for the ISFF, which was made available for obligation until September 30, 2012. Last quarter, SIGIR reported that the Under Secretary of Defense (Comptroller) received

**FIGURE 2.2  
STATUS OF ACTIVE MAJOR U.S. FUNDS,  
AS OF 6/30/2012**



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; P.L. 112-74; INL, response to SIGIR data call, 7/10/2012; OUSD(C), response to SIGIR data call, 7/11/2012; NEA-I, responses to SIGIR data calls, 9/28/2011, 6/28/2012, 6/29/2012, and 7/2/2012; USACE, response to SIGIR data call, 7/5/2012.

# FUNDING FOR IRAQ RECONSTRUCTION

**TABLE 2.1**  
**U.S. APPROPRIATED FUNDS**

\$ Millions	P.L. 108-7, P.L. 108-11	P.L. 108-106, P.L. 108-287	P.L. 109-102, P.L. 109-148, P.L. 109-234	
	FY 2003	FY 2004	FY 2005	FY 2006
<b>MAJOR FUNDS</b>				
Iraq Relief and Reconstruction Fund (IRR 1 and IRRF 2) <sup>a</sup>	2,475	18,389		
Iraq Security Forces Fund (ISFF)			5,490	3,007
Economic Support Fund (ESF) <sup>b</sup>				1,469
Commander's Emergency Response Program (CERP) <sup>c</sup>		140	718	708
International Narcotics Control and Law Enforcement (INCLE)				91
<b>Subtotal</b>	<b>2,475</b>	<b>18,529</b>	<b>6,208</b>	<b>5,275</b>
<b>OTHER ASSISTANCE PROGRAMS</b>				
Migration and Refugee Assistance (MRA) and Emergency Refugee and Migration Assistance (ERMA)	40			
Foreign Military Financing (FMF)				
Natural Resources Risk Remediation Fund (NRRRF) <sup>d</sup>	801			
Iraq Freedom Fund (Other Reconstruction Activities) <sup>e</sup>	700			
P.L. 480 Food Aid (Title II and Non-Title II)	368			3
International Disaster Assistance (IDA) and International Disaster and Famine Assistance (IDFA)	24			7
Democracy Fund (DF) and Human Rights & Democracy Fund (HRDF)				
U.S. Contributions to International Organizations (CIO)				
Iraq Freedom Fund (TFBSO)				
Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) <sup>f</sup>				
Department of Justice (DoJ)	37		2	11
Child Survival and Health Programs Fund (CSH)	90			
Education and Cultural Exchange Programs (ECA)				7
Overseas Humanitarian, Disaster and Civic Aid (OHDACA)	9	15	3	
International Affairs Technical Assistance				13
International Military Education and Training (IMET)				
U.S. Marshals Service <sup>g</sup>			1	3
Alhurra-Iraq Broadcasting			5	
<b>Subtotal</b>	<b>2,069</b>	<b>21</b>	<b>16</b>	<b>34</b>
<b>RECONSTRUCTION-RELATED OPERATING EXPENSES</b>				
Coalition Provisional Authority (CPA) <sup>h</sup>			908	
Project and Contracting Office (PCO) <sup>i</sup>				200
Office of Security Cooperation-Iraq (OSC-I)				
USAID Operating Expenses (USAID OE)		21	24	79
DoD OSC-I Support				
Iraq Freedom Fund (PRT Administrative Costs)				
<b>Subtotal</b>	<b>21</b>	<b>908</b>	<b>24</b>	<b>279</b>
<b>RECONSTRUCTION OVERSIGHT</b>				
Special Inspector General for Iraq Reconstruction (SIGIR) <sup>j</sup>			75	24
Defense Contract Audit Agency (DCAA) <sup>k</sup>				16
DoS Office of the Inspector General (DoS OIG)				1
USAID Office of the Inspector General (USAID OIG)	4	2	3	
DoD Office of the Inspector General (DoD OIG)				5
<b>Subtotal</b>	<b>4</b>	<b>77</b>	<b>3</b>	<b>46</b>
<b>Total</b>	<b>4,569</b>	<b>19,535</b>	<b>6,251</b>	<b>5,634</b>

<sup>a</sup> The Congress initially appropriated \$18,649 million to IRRF 2, but earmarked \$210 million to be transferred to other accounts for programs in Jordan, Liberia, and Sudan. In FY 2006, the Congress transferred roughly \$10 million into the IRRF from the ESF. In FY 2008, P.L. 110-252 rescinded \$50 million.

<sup>b</sup> P.L. 108-11 provided \$10 million for war crimes investigations and \$40 million to reimburse the ESF account for resources advanced to fund supplies, commodities, and services prior to the conflict in Iraq.

<sup>c</sup> Generally, the Congress does not appropriate the CERP to a specific country, but rather to a fund for both Iraq and Afghanistan. SIGIR reports DoD's allocation to the CERP for Iraq as an appropriation.

<sup>d</sup> Includes funds transferred from the Iraq Freedom Fund (IFF).

<sup>e</sup> Includes funds appropriated to the IFF by P.L. 108-11, Title I, and transferred to reconstruction activities, with the exception of funds transferred to NRRRF, which are recorded under that fund.

<sup>f</sup> The \$20 million reported for FY 2009 was appropriated by P.L. 111-8.

<sup>g</sup> DOJ reported that \$24 million was made available under P.L. 111-118 and P.L. 111-212.

<sup>h</sup> Excludes \$75 million for the Special Inspector General for Iraq Reconstruction under P.L. 108-106.

<sup>i</sup> Reconstruction support funding is provided for Project and Contracting Office (PCO) activities per the P.L. 109-234 and P.L. 110-28 conference reports.

<sup>j</sup> SIGIR funding data includes personnel costs. Those costs are not included in funding data for the other oversight agencies.

<sup>k</sup> DCAA reported that \$1.98 million was made available in FY 2006 under P.L. 109-108.

P.L. 110-92, P.L. 110-116, P.L. 110-137, P.L. 109-289, P.L. 110-5, P.L. 110-28	P.L. 110-149, P.L. 110-161, P.L. 110-252	P.L. 110-252, P.L. 111-32	P.L. 111-117, P.L. 111-118, P.L. 111-212	P.L. 112-10	P.L. 112-74	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	TOTAL APPROPRIATED	OBLIGATED	EXPENDED	EXPIRED
												20,864	20,344	20,075	504
5,542	3,000	1,000	1,000	1,155								20,194	19,143	18,401	616
1,554	562	542	383	326	299							5,134	4,546	4,113	260
750	996	339	263	44								3,958	3,728	3,728	230
170	85	20	702	115	130							1,313	1,050	916	
8,017	4,643	1,901	2,347	1,639	429							51,463	48,810	47,233	1,611
78	278	260	316	280	256							1,508	1,296	1,231	
					850							850			
												801	801	801	
												700	680	680	654
												395	395	395	395
24															
45	85	51	42	17								272	255	232	
190	75	1										266	266	262	
38	30	33	33	44								179			
50	50	74										174	86	65	
19	16	36	30	30	32							163	62	62	
23	26	8	13	10	4							133	120	117	
												90	90	90	
5	7	7	7	8	7							48			
												27	27	10	
3												16	16	14	
1	2	2	2	2	2							11	9	6	
2	2	1										9	9	9	
												5	5	5	
416	602	468	444	380	1,196							5,646	2,821	2,722	
												908	832	799	
630												830			
												524	524		
37	41	48	52	51	54							408			
												129	129		
100												100			
767	41	48	52	180	578							2,899	832	799	
35	3	44	23	22	20							245	227	219	
14	14	13	24	30								111	111	111	
3	4	6	7	5	9							35			
3	7	4	7									29			
												26			
55	48	67	61	57	29							445	338	330	
9,256	5,333	2,484	2,904	2,256	2,231							60,453	52,801	51,083	1,611

**Sources:** P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10, P.L. 112-74; NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/15/2011, 9/28/2011, 3/27/2012, 3/28/2012, 6/28/2012, 6/29/2012, and 7/2/2012; USACE, responses to SIGIR data calls, 10/6/2008 and 7/5/2012; DRL, response to SIGIR data call, 7/9/2012; ECA, response to SIGIR data call, 4/14/2010; OUSD(C), responses to SIGIR data calls, 10/14/2010 and 7/11/2012, and "United States Department of Defense Fiscal Year 2012 Budget Request," Overview, 2/2012, p. 6-6; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009, and "U.S. Overseas Loans and Grants [Greenbook]," 2008, [gbk.eads.usaidallnet.gov/query/do?\\_program=eads/gbk/countryReport&unit=N](http://gbk.eads.usaidallnet.gov/query/do?_program=eads/gbk/countryReport&unit=N), accessed 4/15/2010; DCAA, response to SIGIR data call, 10/4/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, [ustreas.gov/offices/international-affairs/assistance/](http://ustreas.gov/offices/international-affairs/assistance/), accessed 10/16/2009; PM, response to SIGIR data call, 7/6/2011; DoJ, Justice Management Division, response to SIGIR data call, 4/3/2012; BBG, response to SIGIR data call, 3/7/2011; ABO, response to SIGIR data call, 1/18/2012; INL, response to SIGIR data call, 7/10/2012; TFBSO, response to SIGIR data call, 1/4/2011; DoS, "Executive Budget Summary Function 150 & Other International Programs, Fiscal Year 2013," p. 173, and "Congressional Budget Justification: Foreign Assistance," Summary Tables, FY 2009–FY 2011; OMB, response to SIGIR data call, 6/21/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

# FUNDING FOR IRAQ RECONSTRUCTION

congressional approval to reprogram \$345 million of the ISFF to meet DoD's needs in Afghanistan and other mission areas, thus reducing the FY 2011 appropriation to \$1.15 billion. On June 11, the Office of Security Cooperation-Iraq released its final spend plan for the FY 2011 ISFF, reflecting the revised total of \$1.15 billion.<sup>72</sup> This quarter, SIGIR completed an audit on the status of FY 2011 ISFF. For a summary of SIGIR's audit, see Section 5 of this Report.

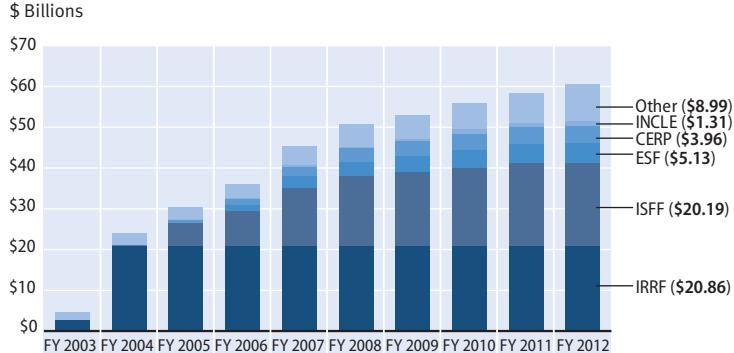
## DoS/USAID Reallocations

In April, DoS submitted to the Congress the foreign operations spend plans for FY 2012 required under P.L. 112-74, detailing allocations of appropriations to "core" accounts as well as appropriations passed under the Overseas Contingency Operations (OCO) title. According to the spend plan, there were no changes to the previously reported ESF; Foreign Military Financing (FMF); International Military Education and Training (IMET); Nonproliferation, Antiterrorism, Demining and Related Programs (NADR); or U.S. Agency for International Development (USAID) operating expenses allocations.<sup>73</sup>

The DoS spend plan indicates a reduction in FY 2012 INCLE funding for Iraq, from the \$500 million previously reported to \$250 million. In May 2012, DoS reported to SIGIR that \$171 million of the \$250 million FY 2012 INCLE allocation would support the Police Development Program (PDP). In July 2012, DoS reported to SIGIR a further adjustment to both the PDP and the overall FY 2012 INCLE allocation for Iraq. DoS reduced the PDP to \$76.3 million and the overall FY 2012 INCLE allocation to \$129.6 million.<sup>74</sup> For a summary of SIGIR's July 2012 audit of the PDP, see Section 5 of this Report.

FIGURE 2.3

### CUMULATIVE U.S. SUPPORT FOR IRAQ RECONSTRUCTION, 2003–2012



Note: Data not audited. Numbers affected by rounding.

Sources: P.L. 108-7; P.L. 108-11; P.L. 108-106; P.L. 108-287; P.L. 109-13; P.L. 109-102; P.L. 109-148; P.L. 109-34; P.L. 109-289; P.L. 110-28; P.L. 110-92; P.L. 110-116; P.L. 110-137; P.L. 110-149; P.L. 110-161; P.L. 110-252; P.L. 111-32; P.L. 111-117; P.L. 111-118; P.L. 111-212; P.L. 112-10; P.L. 112-74; NEA-I, responses to SIGIR data calls, 10/4/2010, 10/6/2010, 4/5/2011, 4/15/2011, 7/12/2011, 9/28/2011, 3/27/2012, 3/28/2012, 6/28/2012, 6/29/2012, and 7/2/2012; USACE, responses to SIGIR data calls, 10/6/2008 and 7/5/2012; DRL, response to SIGIR data call, 7/9/2012; ECA, response to SIGIR data call, 4/14/2010; OUSD(C), responses to SIGIR data calls, 10/14/2010 and 7/11/2012, and "United States Department of Defense Fiscal Year 2012 Budget Request," Overview, 2/2012, p. 6-6; USAID, responses to SIGIR data calls, 1/12/2009 and 4/8/2009, and "U.S. Overseas Loans and Grants [Greenbook]," 2008, [gbk.eads.usaidallnet.gov/query/do?\\_program=eads/gbk/countryReport&unit=N](http://gbk.eads.usaidallnet.gov/query/do?_program=eads/gbk/countryReport&unit=N), accessed 4/15/2010; DCAA, response to SIGIR data call, 10/4/2011; SIGIR Audit 11-007, "Iraq Relief and Reconstruction Fund 1: Report on Apportionments, Expenditures, and Cancelled Funds," 12/28/2010; U.S. Treasury, OTA, "Office of Technical Assistance Overview," 12/30/2005, [ustreas.gov/offices/international-affairs/assistance/](http://ustreas.gov/offices/international-affairs/assistance/), accessed 10/16/2009; PM, response to SIGIR data call, 7/6/2011; DOJ, Justice Management Division, response to SIGIR data call, 4/3/2012; BBG, response to SIGIR data call, 3/7/2011; ABO, response to SIGIR data call, 1/18/2012; INL, response to SIGIR data call, 7/10/2012; TFSO, response to SIGIR data call, 1/4/2011; DoS, "Executive Budget Summary Function 150 & Other International Programs, Fiscal Year 2013," p. 173, and "Congressional Budget Justification: Foreign Assistance," Summary Tables, FY 2009–FY 2011; OMB, response to SIGIR data call, 6/21/2010; U.S. Embassy-Baghdad, response to SIGIR data call, 10/3/2009.

## Recent Obligations and Expenditures

As shown in Table 2.2, U.S. agencies obligated \$640 million and expended \$558 million from the three active major U.S. reconstruction funds this quarter.<sup>75</sup> For complete details by fund, category, and program, see Appendix C.

The ISFF was the most active fund this quarter, with \$503 million obligated and \$464 million expended—more than the last three quarters combined. Approximately \$720 million (62%) of the final \$1.15 billion ISFF appropriation has been obligated. The remaining \$435 million is available for obligation to new projects until September 30, 2012. The majority of ISFF obligations and expenditures this quarter were for Ministry of

The ISFF was the most active fund this quarter, with \$503 million obligated and \$464 million expended—more than the last three quarters combined.

TABLE 2.2

**OBLIGATIONS AND EXPENDITURES FROM ACTIVE MAJOR FUNDS, AS OF 6/30/2012**

\$ Millions

FUND	PROGRAM	STATUS OF FUNDS		QUARTERLY CHANGE	
		OBLIGATED	EXPENDED	OBLIGATED	EXPENDED
ISFF	MOD Equipment	5,297.6	5,195.0	396.4	389.7
	MOD Sustainment	2,572.8	2,408.1	44.4	27.6
	MOD Training	690.5	663.2	35.0	34.5
	MOI Equipment	2,013.6	1,893.6	33.6	8.8
	Other	8,568.8	8,241.0	-6.0	3.3
	<b>Subtotal</b>	<b>19,143.2</b>	<b>18,401.0</b>	<b>503.4</b>	<b>463.9</b>
ESF	Primary Health Care Project	72.9	8.9	31.3	2.9
	Provincial Economic Growth ( <i>Tijara</i> )	172.5	128.5	16.4	12.9
	Community Action	450.4	429.0		26.3
	Financial Development	51.2	19.2	19.9	2.7
	Agribusiness Development ( <i>Inma</i> )	179.8	156.1	10.0	6.8
	PRT/PRDC Projects	613.4	585.6	9.2	5.5
	Personnel Support	21.3	7.4	12.5	1.6
	Administrative Reform ( <i>Tarabot</i> )	82.3	20.1		7.7
	Democracy and Civil Society	263.6	237.6		5.5
	Other	2,638.3	2,520.3	1.6	1.7
	<b>Subtotal</b>	<b>4,545.6</b>	<b>4,112.8</b>	<b>100.5</b>	<b>73.4</b>
INCLE	Police Advisors	607.5	558.7	20.3	14.0
	Corrections	13.6	3.1	13.6	3.1
	Program Development and Support	47.2	35.7	1.5	6.5
	Other	381.6	318.1	0.6	-3.2
	<b>Subtotal</b>	<b>1,049.9</b>	<b>915.6</b>	<b>35.9</b>	<b>20.4</b>
<b>Total</b>		<b>24,738.6</b>	<b>23,429.3</b>	<b>639.9</b>	<b>557.8</b>

Note: Data not audited. Numbers affected by rounding.

Sources: USAID, response to SIGIR data call, 4/2/2012; NEA-I, responses to SIGIR data calls, 9/28/2011, 3/27/2012, 6/28/2012, 6/29/2012, and 7/2/2012; USACE, responses to SIGIR data calls, 4/3/2012 and 7/5/2012; OUSD(C), responses to SIGIR data calls, 4/2/2012 and 7/11/2012.

More than half of all expenditures this quarter were for just three programs.

Defense (MOD) equipment, which is the largest ISFF program overall.<sup>76</sup>

Among the programs supported by civilian funding streams, more than half of obligations this quarter were made to three: USAID's ESF-funded Primary Health Care Project in Iraq (\$31 million) and Financial Development program (\$20 million), as well as DoS's INCLE-funded Police Advisors

program (\$20 million). Similarly, more than half of all expenditures this quarter were for just three programs: USAID's ESF-funded Community Action Program (\$26 million) and its Provincial Economic Growth program (*Tijara*, \$13 million), as well as the DoS Police Advisors program (\$14 million).<sup>77</sup>◆

## IRAQI FUNDING

As of June 30, 2012, Iraq had provided \$138.08 billion for relief and reconstruction through CPA spending of Iraqi funds in 2003–2004 (\$12.07 billion) and annual Government of Iraq (GOI) capital budgets in 2003–2012 (\$126.01 billion).<sup>78</sup> This total includes \$31.88 billion provided in the GOI capital budget for Iraq's 2012 fiscal year, which runs concurrently with the calendar year.<sup>79</sup> It is unclear how much of this amount has been obligated and expended by the GOI. For example, although capital budget expenditure rates among the ministries have varied significantly, the GOI's Ministry of Planning and Development Cooperation estimated that the overall budget execution rate in 2010 was 76%.<sup>80</sup> For more information on Iraqi capital budget expenditures, see Section 4 of this Report.

### GOI Oil Receipts

The 2012 GOI budget of \$100.45 billion projects that 2012 oil receipts will total \$80.67 billion. This amount was based on an anticipated price of \$85 per barrel of crude oil and an average export

volume of 2.6 million barrels per day.<sup>81</sup> During the first half of 2012, the GOI received \$42.06 billion in oil receipts. This is a 15% increase from the first half of 2011, when oil receipts totaled \$36.42 billion.<sup>82</sup>

During the first half of 2012, the GOI received \$42.06 billion in oil receipts.

### Proposed 2012 Supplemental Budget

On July 3, the Council of Ministers approved a \$9.33 billion supplemental budget proposal for the Iraqi 2012 fiscal year. If approved by the Council of Representatives, the supplemental budget would provide:

- \$1.72 billion to the Ministry of Electricity
- \$1.20 billion for the Public Distribution System
- \$858 million to the Ministry of Defense
- \$712 million in war reparations to Kuwait

The remaining \$4.84 billion apparently would be used to fund 40,000 additional government positions, more than half of which would be in the Ministries of Defense and Interior.<sup>83</sup>◆

## INTERNATIONAL SUPPORT

Donor commitments increased \$845 million this quarter to \$13.75 billion.

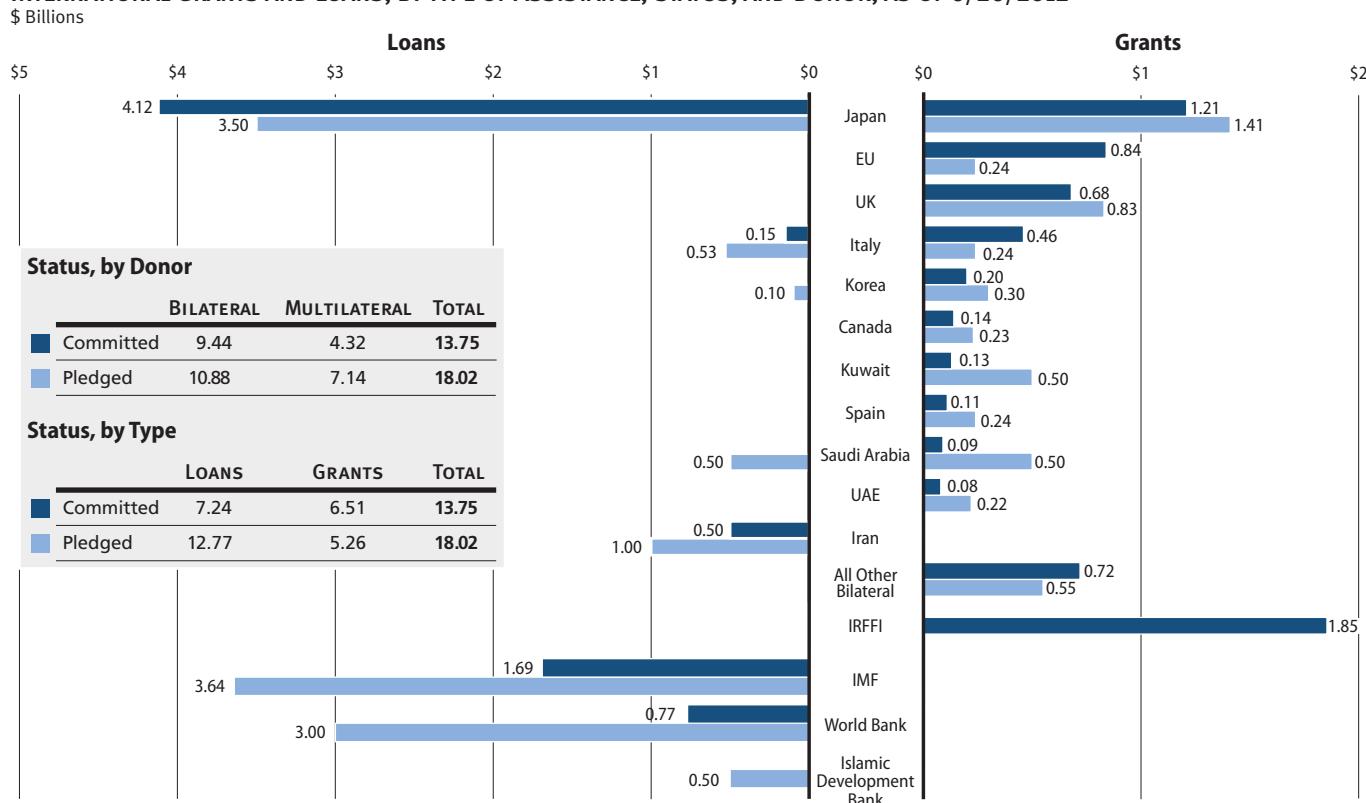
International support for Iraq reconstruction includes bilateral and multilateral development assistance in the form of loans and grants. Donor pledges, which have remained unchanged since December 31, 2010, total \$18.02 billion: \$5.26 billion in grants and \$12.77 billion in loans. Donor commitments increased \$845 million this quarter to \$13.75 billion: \$6.51 billion in grants and \$7.24 billion in loans.<sup>84</sup> For a summary of pledges and commitments, by type of assistance and donor, see Figure 2.4.

Japan, the largest (non-U.S.) international donor, has committed \$5.82 billion, mostly in the form of loans. At the end of May 2012, Japan increased its commitments by \$845 million to support four projects:<sup>85</sup>

- \$535 million for a project to upgrade the refinery in Basrah
- \$147 million for a project to enhance Internet infrastructure for several major cities, including Baghdad, Basrah, and Mosul

FIGURE 2.4

### INTERNATIONAL GRANTS AND LOANS, BY TYPE OF ASSISTANCE, STATUS, AND DONOR, AS OF 6/26/2012



Note: Data not audited. Numbers affected by rounding. Bilateral commitments exclude IRFFI deposits. Amounts may differ from prior quarters due to changes in foreign exchange rates.

Sources: NEA-I, responses to SIGIR data calls, 4/5/2011, 4/7/2011, and 7/12/2011; IRFFI, World Bank, "World Bank Operations in Iraq," 12/31/2011, [siteresources.worldbank.org/IRFFI/Resources/DatasheetDecember2011.pdf](http://siteresources.worldbank.org/IRFFI/Resources/DatasheetDecember2011.pdf), accessed 3/16/2012; Embassy of Japan in Iraq, press release, "Provision of Yen Loan to Iraq," 5/29/2012, [www.iraq.emb-japan.go.jp/Press\\_Releases/Press\\_release\\_2012\\_No13.html](http://www.iraq.emb-japan.go.jp/Press_Releases/Press_release_2012_No13.html), accessed 6/26/2012.

# FUNDING FOR IRAQ RECONSTRUCTION

- \$129 million for a project to build several health-care centers
- \$34 million for a project to refurbish the Baiji refinery

The European Union (EU) is the second largest bilateral donor, with \$840 million committed through grants. The EU also committed a total of \$774 million to the International Reconstruction Fund Facility for Iraq (IRFFI), a multilateral fund established in 2003 to help donors channel resources for Iraq reconstruction efforts.<sup>86</sup>

Multilateral development assistance in the form of loan and grant commitments from the World Bank, United Nations, and International Monetary Fund (IMF) totaled \$4.32 billion as of June 30, 2012.<sup>87</sup>

For a breakdown of commitments by donor countries, including both bilateral and multilateral assistance, see Table 2.3.♦

TABLE 2.3  
**COMMITMENTS FOR IRAQ RECONSTRUCTION,  
BY COUNTRY, AS OF 6/26/2012**  
\$ Millions

	BILATERAL LOAN AND GRANT COMMITMENTS	IRFFI DEPOSITS	TOTAL
Japan	5,332.0	491.6	5,823.6
EC/EU	840.4	774.0	1,614.3
United Kingdom	680.0	126.9	806.9
Italy	614.8	39.2	654.0
Iran	500.0	—	500.0
Denmark	323.6	12.4	336.0
Korea	204.7	30.0	234.7
Canada	139.6	90.5	230.0
Spain	111.8	113.2	225.0
Sweden	168.8	19.5	188.3
All Others	2,992.3	148.1	3,140.3
Total	11,907.9	1,845.3	13,753.2

Note: Numbers affected by rounding. U.S. assistance is excluded from the table.

Sources: NEA-I, responses to SIGIR data calls, 4/5/2011, 4/7/2011, and 7/12/2011; IRFFI, World Bank, "World Bank Operations in Iraq," 12/31/2011, [siteresources.worldbank.org/IRFFI/Resources/DatasheetDecember2011.pdf](http://siteresources.worldbank.org/IRFFI/Resources/DatasheetDecember2011.pdf), accessed 3/16/2012; Embassy of Japan in Iraq, press release, "Provision of Yen Loan to Iraq," 5/29/2012, [www.iraq.emb-japan.go.jp/Press\\_Releases/Press\\_release\\_2012\\_No13.html](http://www.iraq.emb-japan.go.jp/Press_Releases/Press_release_2012_No13.html), accessed 6/26/2012.

Multilateral development assistance from the World Bank, United Nations, and IMF totaled \$4.32 billion as of June 30, 2012.

# U.S.-FUNDED PROGRAMS IN IRAQ

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SECTION

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3

# STRATEGIC FRAMEWORK AGREEMENT

Signed by the United States and the Government of Iraq (GOI) in November 2008, the Strategic Framework Agreement (SFA) outlines the parameters of the ongoing cooperative relationship between the United States and Iraq in a number of key sectors, such as security, energy, and the rule of law. The joint U.S.-GOI Higher Coordinating Committee has overall responsibility for the SFA, but the work of implementing the agreement is managed by seven sector-specific Joint Coordination Committees (JCCs).

On April 23, almost 30 months after the SFA was signed, the United States and the GOI convened the inaugural meeting of the JCC on Energy in Washington, D.C. The meeting was co-chaired by the Iraqi Deputy Prime Minister (DPM) for Energy, Dr. Hussein al-Shahristani; U.S. Deputy Secretary of Energy Daniel Poneman; and Special Envoy and Department of State (DoS) Coordinator for International Energy Affairs Carlos Pascual. The meeting focused on how the United States would continue to support the development of the Iraqi hydrocarbon sector through assistance to the GOI in the areas of

security, infrastructure rehabilitation, and economic planning. Following the meeting, Deputy Secretary Poneman escorted DPM Shahristani to California, where they toured nuclear-research facilities at the Lawrence Livermore National Laboratory. For more on the outcome of this meeting, see the Economy subsection of this Report.<sup>88</sup>

The first-ever meeting of the Defense and Security JCC was held from May 22 to May 24 at the Pentagon. It was co-chaired by GOI Acting Minister of Defense Saadoun al-Dulaimi, DoS Acting Under Secretary of State for Arms Control and International Security Rose Gottemoeller, and Acting Under Secretary of Defense for Policy James Miller. Among the items discussed were future sales of U.S. military equipment, joint military exercises, and Iraq's strategy to ensure its stability and security. The United States also reaffirmed its commitment to advancing Iraq's stability through the training, equipping, and enhancing the capacity of the Iraqi Security Forces (ISF). The next meeting of the Defense and Security JCC is scheduled to be held in Baghdad this fall.<sup>89</sup>◆

On April 23, the United States and the GOI convened the inaugural meeting of the JCC on Energy. The first-ever meeting of the Defense and Security JCC was held from May 22 to May 24.

# U.S. MISSION IN IRAQ

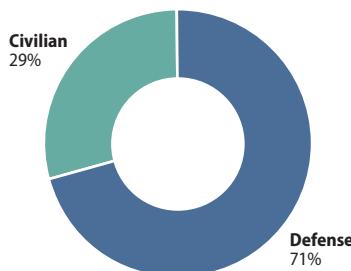
## Gliding toward Normal

In his June 28 testimony before the Congress, the DoS Under Secretary for Management Patrick Kennedy reported that the transition from a military-led to a civilian-led mission in Iraq had been successful, stating that DoS is now “seeking to streamline and normalize . . . operations in a methodical, phased fashion, which [DoS] refer[s] to as the ‘glide path.’” Major elements of this path include:<sup>90</sup>

- reducing personnel, sites, and programs under Chief of Mission authority
- expanding the primary DoS facilities in Baghdad, Basrah, and Erbil
- transferring several sites to the GOI
- administering a medical contract awarded in June 2011 to provide services for all Chief of Mission personnel in Iraq, including contractors
- reviewing proposals for an operations and maintenance contract slated to begin by the end of 2013
- continuing to rely on two Department of Defense (DoD) programs through 2013: the Logistics Civil Augmentation Program, for general operations, including facility, food, and laundry

As of early July, according to DoS, 15,007 personnel were supporting the U.S. Mission in Iraq.

**FIGURE 3.1**  
**DEFENSE VS. CIVILIAN AGENCY CONTRACTORS  
 UNDER CHIEF OF MISSION AUTHORITY,  
 AS OF 7/2/2012**



Source: OUSD(AT&L), SPOT Program Support, response to SIGIR data call, 7/2/2012.

services; and the Defense Logistics Agency, for the supply of food and fuel (“alternative options” for after 2013 are currently being considered by a twice-monthly working group)

- gradually increasing reliance on regional air-travel services

Under Secretary Kennedy stated that, as of late June, DoS had 38 contracting officers, specialists, and support personnel devoted to contracting efforts in Iraq and Afghanistan.<sup>91</sup>

## Staffing the U.S. Mission

As of early July, according to DoS, 15,007 personnel were supporting the U.S. Mission in Iraq.<sup>92</sup>

- 1,235 U.S. government civilian employees (includes full-time and temporary government employees and personal-services contractors)
- 13,772 contractor personnel (U.S., Iraqi, and third-country nationals), 5,737 of whom were providing security services

In a change from its past reporting practice, DoS said that it obtained this quarter’s data on the number and role of contractors from the Synchronized Predeployment and Operational Tracker (SPOT) database maintained by DoD.<sup>93</sup> SIGIR also obtained data from the SPOT database that showed 12,477 employees of U.S.-funded contractors and grantees were working in Iraq as of July 2, 2012—1,295 fewer contractor personnel than reported by the Embassy. The data may have been accessed on different dates, but SIGIR does not know if that would completely account for the difference in reported number of contractor personnel. As shown in Figure 3.1 and detailed in the Contracting subsection of this Report, the SPOT data that SIGIR received showed that 71% of the contractor

# U.S.-FUNDED PROGRAMS IN IRAQ

personnel supporting the U.S. government in Iraq were working on Defense contracts.<sup>94</sup>

According to DoS, only 6 personnel—the number of staff in the Iraq Strategic Partnership Office—support “reconstruction activities.” DoS estimated that 67 contractors also support reconstruction programs.<sup>95</sup> However, in its tally of reconstruction personnel, DoS excludes the entire staff of the Office of Security Cooperation-Iraq (OSC-I), which manages Iraq Security Forces Fund (ISFF) projects and the Foreign Military Sales (FMS) and Foreign Military Financing (FMF) programs; DoS Bureau of International Narcotics and Law Enforcement Affairs (INL) personnel working on the Police Development Program (PDP); and personnel working on U.S. Agency for International Development (USAID) programs.<sup>96</sup> DoS contends that it excludes these individuals because they work on “traditional assistance programs (assistance programs that are found in embassies worldwide).”<sup>97</sup> However, SIGIR takes the position that Economic Support Fund (ESF) and FMS, for example, are reconstruction programs in Iraq—a position supported in a March 31, 2011, letter by the Chairmen of the House Committees on Oversight and Government Reform and Foreign Affairs to the Secretary of State.<sup>98</sup>

DoS is working to reduce direct-hire staffing by 25%–30% by the end of 2013. Moreover, the Embassy is continuing to hire more Iraqis to fill direct-hire positions, reporting that 240 of the planned 400 were on board, as of June 28. With regard to life-support contractors, DoS’s goal is for 50% of all life-support contractors to be Iraqis. As of late June, Iraqis made up about 24% of life-support contractors.<sup>99</sup>

DoS’s Office of Logistics Management recently posted a public notice to contractors bidding to provide operations and maintenance (O&M) services stating that they must include a staffing plan that would provide for the hiring of Iraqis and the purchase of goods from local suppliers, where practicable. The O&M contract would support the U.S. Embassy in Baghdad, the consulates in Erbil and

Basrah, and other sites throughout Iraq. DoS expects to award the contract in August 2012.<sup>100</sup>

## Alterations to DoS Facilities

Although the 104-acre New Embassy Compound in Baghdad formally opened in January 2009, substantial upgrades to key infrastructure elements appear still to be needed. This quarter, the DoS Bureau of Overseas Buildings Operations (OBO) requested submissions to pre-qualify firms for upgrades estimated to cost \$60 million–\$80 million and take about two years to complete. Among other things, this project would include:<sup>101</sup>

- facilities capable of storing underground a 21-day supply of fuel
- a new utility building for the generators and switchgear
- a compound-wide electrical infrastructure
- a waste-heat utilization program
- a compound-wide fire-main replacement and water distribution upgrade
- a compound-wide domestic-water system upgrade
- a compound-wide sanitary-sewer system upgrade
- a compound-wide storm-water system upgrade
- a compound-wide telecommunications system upgrade

Although the 104-acre New Embassy Compound formally opened in January 2009, substantial upgrades to key infrastructure elements appear still to be needed.

The Embassy also confirmed that it plans to transfer Embassy Annex Prosperity to the GOI by the end of 2013. The annex, a former U.S. military base in the western part of the International Zone, is now home to hundreds of security and support contractors, many of whom live in containerized housing units that afford minimal protection from indirect fire.<sup>102</sup>

Other developments affecting the U.S. Mission this quarter included:

- the late April award of two eight-month contracts to Triple Canopy, Inc., for static-security

services for consulate facilities in Basrah (\$5.02 million) and Erbil (\$4.81 million) because the companies originally slated to provide such services (Global Integrated Services and DynCorp, respectively) could not meet the mobilization timeline because of difficulties with the visa process<sup>103</sup>

- the late June confirmation that the OSC-I headquarters will move from its current location at the Security Assistance Annex (formerly called Forward Operating Base Union III) across the street from the Embassy onto the Embassy complex by mid-2013, with Union III being returned to GOI control<sup>104</sup>

## Closure of Consulate in Kirkuk

The U.S. Consulate in Kirkuk—which has been operational, though not providing most traditional consular services, for about one year—has been scheduled to close by the end of July 2012. The consulate, which had been colocated with the OSC-I site on the grounds of an Iraqi Air Force base, will transfer most of its personnel to the Erbil Diplomatic Support Center (EDSC). To accommodate this move, the EDSC is preparing additional containerized housing-units that will serve as living quarters and office space for those personnel relocated from Kirkuk. About 30 private-security contractors will move from Kirkuk to Erbil as part of this plan. U.S. facilities in Kirkuk had been subject to regular indirect fire attacks since they opened. OSC-I will close its Kirkuk site by the end of September.<sup>105</sup>

## Operating in Iraq

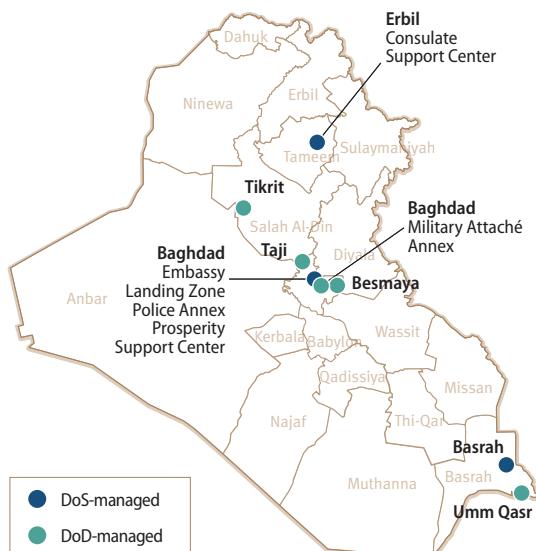
**Security and support costs remain the largest expenses for the U.S. Mission.**

Security and support costs remain the largest expenses for the U.S. Mission. According to the Government Accountability Office (GAO), these costs accounted for 93% of the DoS and DoD estimated FY 2012 allocation of \$4 billion for the U.S.

Mission. GAO added that DoS and DoD security capabilities are not finalized, with construction of security features not expected to be completed at DoS-managed sites until February 2013 and at DoD-managed sites until September 2013. GAO ascribed these delays, in part, to contractor performance, noting that, to mitigate resulting vulnerabilities, the U.S. Mission frequently employs ad hoc, “field expedient,” measures.<sup>106</sup>

Securing formal GOI agreements to use various facilities also continues to be a challenge. As of May, according to GAO, the United States had a presence at 14 sites in Iraq, but DoS held title or had signed land-use agreements or leases for only 5 of them. Moreover, GAO noted that DoS officials had expressed concern about the GOI’s ability to finalize additional agreements. Current plans call for the total number of sites to be reduced to 11 by the end of FY 2013. Figure 3.2 shows the locations of the 14 operational sites.<sup>107</sup>

**FIGURE 3.2  
DO S- AND DO D-MANAGED SITES IN IRAQ**



**Source:** GAO Testimony GAO-12-856T, statement of Michael J. Courts, Acting Director International Affairs and Trade, “Mission Iraq: State and DoD Face Challenges in Finalizing Support and Security Capabilities,” 6/28/2012, p. 3.

## Ambassadorial Nominee

On June 18, three months after being nominated by President Obama to serve as Ambassador to Iraq, Brett McGurk withdrew his name from consideration. As of July 15, the White House had not nominated a replacement.<sup>108</sup>

Before his withdrawal, McGurk testified before the Senate Foreign Relations Committee on June 6. In response to the Committee's questions, McGurk stated that the U.S. presence in Iraq is too large and that there is "no proportionality... between our size and our influence." He added that the United States expends "a lot of diplomatic capital simply to sustain [its] presence." Agreeing with current DoS proposals to trim the number of personnel under the Chief of Mission by about 25%, McGurk went further, stating that additional cuts could be made.<sup>109</sup>

## Iraq Strategic Partnership Office

The Iraq Strategic Partnership Office (ISPO) is drawing to a close. When established as a temporary organization by executive order on May 10, 2010, ISPO assumed the remaining functions of the Iraq Transition Assistance Office, including oversight of various reconstruction projects funded by the Iraq Relief and Reconstruction Fund (IRRF) and the ESF. Among other responsibilities, ISPO was tasked with coordinating the drawdown of Provincial Reconstruction Teams and supporting and creating a sustainable Rule of Law mission in Iraq, including the Police Development Program (PDP).<sup>110</sup>

ISPO's Embassy office was initially staffed by 11 personnel, including three senior consultants, all of whom were expected to depart Baghdad by mid-2011 as ISPO's projects were completed and its ministerial advisory function ended.<sup>111</sup> This quarter, however, ISPO still had a staff of six, and they were overseeing projects carried out under three programs funded by the ESF:<sup>112</sup>

- Provincial Reconstruction Development Council (PRDC)
- Capacity Development/Operations, Maintenance, and Sustainment (CD/OMS)
- Ministerial Capacity Development (MCD)

As shown in Table 3.1, ISPO had 24 open projects at the end of this quarter, all of which were being implemented by the U.S. Army Corps of Engineers (USACE). These projects had an estimated total value of \$66.4 million, and almost \$36.8 million had yet to be expended on them.<sup>113</sup> The majority of the open projects were not expected to be completed until sometime in 2013, and four projects were in the pre-award stage and had not yet been started.<sup>114</sup>

ISPO's three senior consultants, who have provided technical oversight and liaison with GOI ministries for the reconstruction program, were scheduled to depart Baghdad at the end of July 2012. According to the Embassy, the day-to-day oversight of the remaining ongoing projects will be accomplished by USACE, and the Embassy's Economic Section will provide overall direction for the program.<sup>115</sup>

ISPO's three senior consultants were scheduled to depart Baghdad at the end of July 2012.

## Completed and Ongoing Projects

The Embassy reported that ISPO oversaw the completion of one project this quarter: a \$158,000 ESF-funded MCD project to help the GOI prepare for negotiating a water-sharing agreement with neighboring countries. In April, the Embassy reported that six other ISPO projects, collectively valued at almost \$32.2 million, were scheduled for completion this quarter. But all remained ongoing as of June 30. Of the 23 projects that ISPO listed as open at the end of last quarter, completion dates subsequently slipped for 16 of them, and one project was canceled. The "Rusafa Courthouse Latent Defects" project was canceled because the original contractor could not be located. Of the \$30,000 obligated for that project, less than \$2,500 was expended.<sup>116</sup>

TABLE 3.1

**OPEN ISPO-MANAGED PROJECTS, AS OF 6/30/2012**

\$ U.S.

PROGRAM	PROJECT	ACTUAL OR ESTIMATED AWARD DATE	SCHEDULED COMPLETION DATE	BUDGETED OR ESTIMATED COST	OBLIGATED	EXPENDED	UNEXPENDED BUDGETED AMOUNT
Provincial Reconstruction Development Council (PRDC)	Wazeriya National Training Center	11/2010	8/2012	8,882,254	8,328,656	6,163,432	2,718,823
	Missan Hospital Phase 1	9/2007	7/2012	8,586,413	8,586,413	8,019,269	567,144
	Missan Hospital Phase 2	1/2008	10/2012	7,712,355	7,712,355	7,055,516	656,838
	Basrah Children's Hospital (BCH) Install MRI Scanner	6/2012	1/2013	7,000,000	3,462,500	14,776	6,985,224
	BCH Install CT Scanner	6/2012	1/2013	3,500,000	2,887,500	—	3,500,000
	BCH Linear Accelerator O&M and Training	7/2012	6/2013	3,000,000	60,000	33,196	2,966,804
	Install Equipment for BCH	6/2011	10/2012	2,299,331	2,299,331	1,584,321	715,009
	Facility Management at BCH	11/2011	1/2013	1,408,630	1,373,780	243,681	1,164,949
	Iraq Personal Services Technical Experts	6/2012	6/2013	1,210,000	1,180,000	25,313	1,184,687
	Primary Healthcare Centers Repairs, Central Iraq (MOD)	5/2012	9/2012	550,000	—	—	550,000
	Primary Healthcare Centers Repairs, Southern Iraq (MOD)	4/2012	9/2012	450,000	—	—	450,000
<b>Buildings, Health, &amp; Education Subtotal</b>				<b>44,598,982</b>	<b>35,890,534</b>	<b>23,139,505</b>	<b>21,459,477</b>
Security and Justice	Rusafa Courthouse Repairs	6/2012	4/2013	1,716,000	1,716,000	—	1,716,000
	Upgrade Rusafa Courthouse, Assessment	2/2012	1/2013	809,875	809,875	783,462	26,413
	<b>Security and Justice Subtotal</b>			<b>2,525,875</b>	<b>2,525,875</b>	<b>783,462</b>	<b>1,742,413</b>
	Al-Musayab Combustion Turbine Commission Units 9 & 10	6/2010	1/2013	4,761,688	4,761,688	161,688	4,600,000
	Electrical Transmission Study & Master Plan	4/2012	1/2013	2,100,684	2,100,684	51,005	2,049,680
	Procure Electrical Coil Winding Machines	6/2012	1/2013	450,000	12,000	10,062	439,938
	<b>Electricity Subtotal</b>			<b>7,312,372</b>	<b>6,874,372</b>	<b>222,755</b>	<b>7,089,617</b>
	Falluja Sewer System House Connections	3/2010	5/2013	7,618,379	7,618,379	4,587,379	3,031,000
	Mosul Dam Early Warning System	7/2010	9/2012	1,180,000	1,180,000	179,589	1,000,411
	Falluja Waste Water Treatment Plant O&M, Phase II	1/2012	1/2013	545,000	545,000	78,275	466,725
Water	Review of Ministry of Water Master Plan	6/2011	8/2013	400,000	400,000	72,029	327,971
	Iraq Watershed Predictive Model	8/2011	6/2013	220,000	220,000	139,812	80,188
	<b>Water Subtotal</b>			<b>9,963,379</b>	<b>9,963,379</b>	<b>5,057,082</b>	<b>4,906,296</b>
	<b>PRDC Projects Total</b>			<b>64,400,608</b>	<b>55,254,160</b>	<b>29,202,804</b>	<b>35,197,804</b>
	OMS Procurement Additional Spare Parts	4/2012	1/2013	1,180,274	1,180,274	17,550	1,162,724
	Mosul Dam SME Advisory Group Support	3/2010	9/2012	514,987	514,987	182,131	332,856
	Rivers and Lakes Study	7/2010	7/2012	344,601	344,601	277,800	66,802
	<b>CD/OMS Projects Total</b>			<b>2,039,862</b>	<b>2,039,862</b>	<b>477,480</b>	<b>1,562,382</b>
<b>All ISPO Projects Total</b>				<b>66,440,470</b>	<b>57,294,022</b>	<b>29,680,284</b>	<b>36,760,186</b>

Note: Data not audited. Numbers affected by rounding.

Source: U.S. Embassy-Baghdad, response to SIGIR data call, 7/3/2012.

## U.S.-FUNDED PROGRAMS IN IRAQ



ISPO now expects U.S.-funded work at Missan Surgical Hospital to be completed in October 2012. The contract for construction was first awarded in September 2007, and the original completion date was May 2009. (USACE photo)

ISPO's ongoing projects included construction of the Missan Surgical Hospital (which ISPO separates into two phases with a combined estimated cost of \$16.3 million) and the Wazeriya National Training Center (\$8.9 million), as well as a grant to the Ministry of Municipalities and Public Works for the connection of houses to Falluja's sewer system and construction of a trunk line (\$7.6 million). Although the completion dates were pushed back, ISPO still expected work at the hospital and training center to be completed in 2012.<sup>117</sup>

May 2013 remained the scheduled completion date for the Falluja project. Both the Embassy and USACE reported that 9,100 houses had been connected to the sewer system as called for under the terms of the grant. But USACE also reported that there was an issue with the pipes that had been ordered for the trunk line and that the grant would need to be increased by \$150,000 to procure odor-removal equipment.<sup>118</sup>

As shown in the table, five open projects are for work at the Basrah Children's Hospital—primarily for the procurement, installation, operation and maintenance, and training on the use of advanced medical equipment. According to ISPO, these five projects are estimated to cost \$17.2 million. In April, ISPO reported that the cost of purchasing and installing the MRI and CT equipment was expected to be \$7 million. This quarter, ISPO's report listed the MRI and CT equipment as two separate projects with a combined cost of \$10.5 million, a 50% increase from what was reported last quarter.<sup>119</sup> USACE, however, reported that the total

authorized cost for the two pieces of equipment was actually less than \$6.4 million (which is the sum of the obligated amounts shown in the table).<sup>120</sup>

During the planning stages for the hospital project, which was conceived in 2003, USAID and Project HOPE signed a memorandum of understanding (MOU) under which the U.S. government was to be responsible for construction of the hospital, and Project HOPE was to be responsible for acquiring advanced medical equipment and training medical staff.<sup>121</sup> In response to SIGIR's inquiry about why the U.S. government was now responsible for equipment acquisition, installation, and training, the Embassy stated:<sup>122</sup>

The U.S. has since inception of the program provided for overall project management and [been the] principal funding source of the Basrah Children's Hospital. Project HOPE is one of many partners contributing to the program. The planned U.S. expenditures are required to develop the facility into a functional children's oncology hospital. Project HOPE's donations, along with those of other participants, have assisted the program in its progress towards that goal.

In 2006, however, DoS said that the hospital project "is funded mostly by donors. Project HOPE is the key."<sup>123</sup>

### Asset Transfer and Sustainment

The Embassy reported that no ISPO construction projects were transferred to the GOI this quarter.<sup>124</sup> Procedures for documenting the transfer of U.S.-funded projects were established in an MOU that the Ministry of Planning and Development Cooperation and the Embassy signed

Five open projects are for work at the Basrah Children's Hospital—primarily for the procurement, installation, operation and maintenance, and training on the use of advanced medical equipment.

Although SIGIR requested details about activities carried out under the terms of the MOU during the first six months of 2012, the Embassy stated, "The lists and tables requested are not available."

in November 2009. The MOU states that "beneficiary ministries ... are to be committed to allocate the necessary funds for ... operation [of projects] as part of the operating budgets" and that "the Government of Iraq is to respond positively to any requests from the U.S. Embassy for conducting visits or evaluating the level of implementation for the projects ... including any information required for the evaluation process."<sup>125</sup>

According to the Embassy, the GOI has responded positively to requests for site visits to U.S.-funded projects that were transferred pursuant to the MOU, but the GOI's sustainment of the facilities varies by project and by Ministry. Although SIGIR requested details about activities

carried out under the terms of the MOU during the first six months of 2012, the Embassy declined to provide specifics on information requested by the U.S. government and provided by the GOI relating to the resources provided for the operation of projects, visits that the Embassy requested to make to project sites, and evaluations that the Embassy completed. It stated, "The lists and tables requested are not available. Visits to projects have been made on an as-needed basis and with diminishing frequency since Iraq's assumption of responsibilities of sovereignty. This transfer also corresponded with the winding down of the Iraq Strategic Partnership Office and the redeployment of U.S. forces."<sup>126</sup>◆

## CIVILIAN PROGRAMS

### Department of State

#### Bureau of International Narcotics and Law Enforcement Affairs

INL supports several rule-of-law programs whose stated purpose is to assist the GOI's law-enforcement, anticorruption, and judicial institutions. As of June 30, 2012, \$1.05 billion from the International Narcotics Control and Law Enforcement (INCLE) account had been obligated in Iraq, including approximately \$134 million that has not yet been expended.<sup>127</sup>

As of June 30, 2012, INL reported that it had 176 personnel in Iraq, including 50 Iraqis.<sup>128</sup> Table 3.2 provides information on their assignments.

#### Police Development Program

INL received \$650 million in FY 2010 and \$94.6 million in FY 2011 funding for the PDP, but as of June 30, it had not yet received FY 2012 funds for the program. DoS initially had planned to allocate approximately \$500 million of the FY 2012 INCLE for the PDP and other INL programs

in Iraq. By July 2012, however, DoS reported that it had reduced the planned INCLE allocation for Iraq to \$129.6 million, of which \$76.3 million was for the PDP. Furthermore, DoS officials said that none of this \$76.3 million will be needed until FY 2013 because of the programmatic downsizing discussed below. INL had about \$118.2 million in unspent FY 2010 and FY 2011 funds as of March 31, 2012, and additional FY 2010 and FY 2011 funds were expected to become available for the PDP as more program reductions are implemented.<sup>129</sup> For further information, see the summary of SIGIR's most recent audit of the PDP in Section 5 of this Report.

For FY 2013, INL initially requested \$850 million for the PDP and other INL programs that support the rule of law and work to build capacity within the justice sector.<sup>130</sup>

**DoS officials said that none of this \$76.3 million will be needed until FY 2013 because of the programmatic downsizing discussed below.**

#### PDP Staffing

As of June 30, INL reported that it had 72 PDP advisors in the country—62 temporarily hired DoS personnel (3161s) and 10 Department of Homeland Security (DHS) employees—working with the MOI in Baghdad and Erbil,

TABLE 3.2  
INL PERSONNEL CURRENTLY WORKING IN IRAQ

PERSONNEL TYPE	JUSTICE PROGRAMS	POLICE DEVELOPMENT PROGRAM	PRE-TRIAL DETENTIONS PROGRAM	CORRECTIONS PROGRAM	INL MANAGEMENT AND STAFF	TOTAL
3161 Temporary Hire	1	62	—	—	10	73
U.S. Government	4	10 <sup>a</sup>	1	—	18	33
U.S. Contractor	6	4	8	1	1	20
Iraqi Contractor and Locally Employed Staff	6	36	—	—	8	50
Third-country-national Contractor	—	—	—	—	—	—
<b>Total</b>	<b>17</b>	<b>112</b>	<b>9</b>	<b>1</b>	<b>37</b>	<b>176</b>

<sup>a</sup>10 DHS personnel implement PDP programming via an interagency agreement (IAA) between DoS and DHS. Other agencies implementing INL programs via IAAs, including DOJ and the Treasury Department, are included.

Note: Data not audited.

Source: INL, response to SIGIR data call, 7/5/2012.



Inspector General meets with MOI Principal Deputy Minister al-Asadi, May 2012.

INL embarked on this ambitious construction program prior to finalizing a formal land-use agreement with the GOI.

where they were supported by small numbers of Iraqi contractors.<sup>131</sup>

**Baghdad.** 49 advisors (including 8 from DHS) supported by 23 Iraqi contractors

- **Erbil.** 23 advisors (including 2 from DHS) supported by 8 Iraqi contractors

INL reported in early July that it is in negotiations with MOI regarding adjustments to the PDP and will devise a plan “very soon” to reduce the number of PDP advisors, relying on attrition to reduce the advisor ranks (PDP advisors are generally temporary employees hired on 13-month appointments) As of July 16, INL’s provisional plan called for 18 advisors in Baghdad and 18 in Erbil.<sup>132</sup>

#### *The Cost of Shrinking the PDP Footprint*

INL terminated PDP activities in Basrah this quarter, with all PDP personnel returning to the Embassy. This quarter, INL also removed all PDP advisors from its main training complex in Baghdad—the Baghdad Police College Annex (BPAX), formerly called Joint Security Station Shield. INL personnel previously stationed at BPAX have already returned to the Embassy, although MOI has agreed to its continued use for some PDP training

and seminars. INL has submitted a list of potential new training sites in Baghdad to the MOI, which has “agreed to review the options.” In mid-July, MOI reportedly identified two potential training sites in the International Zone, but did not commit to having them ready by a certain date.<sup>133</sup>

According to INL, OBO originally estimated construction costs for BPAX to be \$150 million. In response to direction from DoS to reduce Embassy staff and costs, INL said it decided to close BPAX. As a result, DoS terminated the construction contract, and OBO now estimates the revised construction costs will be about \$108 million, but INL reported that demobilizing BPAX will result in additional costs.<sup>134</sup>

INL expended \$98 million on Basrah PDP facilities, but asserted that these facilities will continue to be used because they are colocated with Consulate Basrah.

INL added that it will be reducing the scope of the PDP in Erbil, ceasing work with the Kurdistan Regional Government (KRG) Ministry of Interior on 4 of the program’s 16 original subject areas.<sup>135</sup>

#### *MOI Assessment of PDP Activities*

In late December 2011, Principal Deputy Minister of Interior al-Asadi ordered the formation of a committee within the MOI to coordinate with INL and manage MOI’s involvement with the PDP. The committee reported that MOI officials held 80 meetings with INL advisors from January 1 to April 1, 2012. (INL reported that it held 517 engagements with MOI personnel during the same three-month period.) In addition, the MOI committee noted that it had rejected 55 meeting requests by INL during the first three months of 2012. The committee characterized 52 meetings with INL as “beneficial,” 21 as “semi-beneficial,” 1 as “non-beneficial,” and did not assess the other 6. The MOI committee also concluded:<sup>136</sup>

# U.S.-FUNDED PROGRAMS IN IRAQ

- The services it received were subpar when evaluated against the amount of money the INL spent to provide them.
- INL advisors “work separately” from the rest of the U.S. Mission and do not coordinate with other U.S. personnel.
- The optimal number of PDP advisors was 12 for Baghdad (2 of whom would advise on intelligence matters, 3 on general training, 3 on evidence and DNA, 2 on technology, and 2 on unspecified issues).

The MOI review did not address the Erbil component of the PDP.

#### *PDP Activities This Quarter*

From April 1 through June 30, 2012, INL stated that it had held engagements with MOI counterparts on 457 separate occasions, 330 of which (72%) were in the relatively secure Kurdish city of Erbil. INL advisors reported conducting engagements at a single forensics lab in Erbil 137 times during the 91-day period (30% of all PDP engagements this quarter). Of the remaining 127 site visits, 123 were to MOI facilities in Baghdad and 4 to MOI locations in Basrah.<sup>137</sup>

#### *Other DoS Bureaus and the PDP*

INL reports that it has made \$323.0 million of INCLE funds available to OBO for INL's portion of construction and facility build-out costs (\$21 million was recently returned to INL as these funds were no longer required) and \$211.8 million to the Bureau of Diplomatic Security (DS) for security support associated with the PDP. OBO and DS have agreed, at the end of the third quarter of each fiscal year, to perform a reconciliation of actual costs against transferred funds to ensure that sufficient funds will be available for anticipated work in the fourth quarter. OBO and DS have also agreed to provide INL with updated cost information for the following year. In addition, there will be a final reconciliation after the end of the fiscal year, after which funds will be returned to INL if

the reconciliations identify surpluses that had been transferred to either bureau. The Bureau of Near Eastern Affairs also provides “Life and Mission” support to PDP personnel and will conduct a similar reconciliation process with INL at the end of the fiscal year.<sup>138</sup>

#### **Anti-Money Laundering Assistance**

INL funds two advisors who work on anti-money laundering (AML) and terrorist-financing issues. One AML advisor from the Department of Justice (DoJ) Office of Overseas Prosecutorial Development, Assistance and Training (OPDAT) works exclusively on AML and terrorism-financing issues with several GOI agencies. This quarter, the DoJ advisor worked with the GOI on the Middle East and North Africa Financial Action Task Force’s ongoing evaluation of Iraq’s AML regime. The second INL-funded AML advisor is from the Department of Treasury’s Office of Technical Assistance (OTA). He works with Iraq’s chief anticorruption agency, the Commission of Integrity (COI), on building its capacity to conduct financial investigations, AML matters, and other law-enforcement issues, including asset recovery.<sup>139</sup>

#### **Anti-Corruption Coordination Office**

INL’s Anti-Corruption Coordination Office (INL/ACCO) manages \$29.3 million in U.S. assistance to Iraq’s main anticorruption agencies—the COI, Board of Supreme Audit, and inspectors general (IGs). Of the \$29.3 million in anticorruption funds, INL/ACCO provided about \$20.7 million to the United Nations (UN) to implement 5 of the 10 programs it funds, including:<sup>140</sup>

- an \$8 million United Nations Development Programme (UNDP) initiative to support Iraqi compliance with the United Nations Convention against Corruption
- a \$6 million UNDP project to train the IGs
- a \$4 million UNDP project to assist the COI with financial investigations
- a \$2 million UNDP project to work with the KRG on improving budget execution

INL reports that it has made \$323.0 million of INCLE funds available for construction and facility build-out costs and \$211.8 million for security support associated with the PDP.

As of mid-July, INL/ACCO was staffed by 1 DoS employee, 1 contractor, and 3 Iraqis.<sup>141</sup>

#### **Assistance to the Higher Judicial Council**

INL continues to support multiple programs to assist the Higher Judicial Council (HJC), including:<sup>142</sup>

- two grants—a \$4.5 million grant to the National Center for State Courts for improving court administration and a \$1.4 million grant to the Institute for International Law and Human Rights for data archiving
- three UN programs—\$3.8 million to UNDP for data management, \$3.2 million to UNDP for increasing judicial capacity, and a \$1 million pledge to the United Nations Educational, Scientific and Cultural Organization (UNESCO) for media outreach, which remains in abeyance because UNESCO recognized the Palestinian Authority as a member state

INL supports two ongoing judicial-outreach programs as well—the Resident Legal Advisor program (staffed by three DoJ attorneys) and the Justice for Children program (which is administered by the United Nations Children’s Fund and has received more than \$2.3 million in U.S. funds).<sup>143</sup>

#### **Monitoring and Evaluation**

INL’s Monitoring and Evaluation (M&E) team tracks the progress of INL criminal-justice programs in Iraq, including the PDP and the Justice, Drug Demand Reduction, and Pretrial Detention Assistance programs. The PDP is supposed to undergo a program review every six months. Other INL-funded programs undergo evaluations according to their program plans, but not more than once per quarter. As of July 6, the team had two staff members; a previously planned third position will not be filled.<sup>144</sup>

The M&E team has not issued any reports since its creation earlier this year. INL informed SIGIR

that it planned to publish its first M&E report (on the PDP) sometime after June 30, 2012.<sup>145</sup>

#### **ICITAP Corrections Training**

An INL-funded Pre-Trial Detention Program implemented by DoJ’s International Criminal Investigative Training Assistance Program (ICITAP) began January 1, 2012. The program was designed to assess certain MOI detention facilities and raise their performance to international standards for housing pre-trial detainees. Between January 1 and June 30, ICITAP advisors conducted three train-the-trainer courses for MOI personnel who will be teaching basic line officers. MOI graduates of the third course conducted a fourth course, with ICITAP advisors on hand as observers. These four courses trained a total of 40 Iraqis. According to INL, the MOI can now provide this training without assistance from U.S. personnel.<sup>146</sup>

#### **Office of Weapons Removal and Abatement**

Since 2003, the United States has invested more than \$209 million in Iraq for the clearance and safe disposal of landmines, UXO, and excess conventional weapons and munitions. Of the 14 programs in Iraq funded by DoS’s Nonproliferation, Anti-terrorism, Demining, and Related Programs (NADR) account that conducted at least some activities in 2012, eight either have or were scheduled to conclude by the end of July. Of the six ongoing programs, valued at \$20.5 million, five are conventional-weapons destruction initiatives and the other is a victims-assistance program (a \$1.5 million contract being implemented by the Montgomery Village Rotary Club of Maryland).<sup>147</sup> The Iraq Mine/UXO Clearance Organization executes the largest of the active programs, a \$12.5 million effort in central and southern Iraq that is implemented by 4 U.S. and 265 Iraqi personnel and guarded by 109 private security contractors. For more on the dangers posed

Since 2003, the United States has invested more than \$209 million in Iraq for the clearance and safe disposal of landmines, UXO, and excess conventional weapons and munitions.

# U.S.-FUNDED PROGRAMS IN IRAQ

**TABLE 3.3**  
**FUNDING FOR PRM ASSISTANCE PROVIDED TO IRAQIS**  
\$ Millions

FISCAL YEAR	APPROPRIATED			TOTAL	OBLIGATED	EXPENDED
	MIGRATION AND REFUGEE ASSISTANCE	ECONOMIC SUPPORT FUND	IRAQ RELIEF AND RECONSTRUCTION FUND			
2003	40.4	–	27.0	67.4	67.4	66.8
2004	–	–	133.5	133.5	132.3	132.3
2005	–	–	–	–	–	–
2006	–	50.0	–	50.0	50.0	50.0
2007	77.9	–	–	77.9	65.9	56.9
2008	277.9	45.0	–	322.9	277.9	320.7
2009	259.7	–	–	259.7	259.7	255.8
2010	316.1	–	–	316.1	316.1	313.8
2011	280.0	–	–	280.0	273.9	249.9
2012	256.4	–	–	256.4	160.6	91.8
<b>Total</b>	<b>1,508.3</b>	<b>95.0</b>	<b>160.5</b>	<b>1,763.8</b>	<b>1,603.6</b>	<b>1,537.9</b>

Note: Data not audited. Numbers affected by rounding. Migration and Refugee Assistance includes \$39.9 million appropriated in FY 2003 and \$12.0 million appropriated in FY 2007 under the heading “Emergency Refugee and Migration Assistance.”

Sources: NEA-I, responses to SIGIR data calls, 3/27/2012 and 6/29/2012; PRM, response to SIGIR data call, 7/13/2012.

by UXO in Iraq, see the Security and Rule of Law subsection of this Report.<sup>148</sup>

## Office of Export Control Cooperation

The Office of Export Control Cooperation assists the GOI in developing effective trade control systems and helps ensure those systems meet existing international standards. The U.S. office assists the GOI in its efforts to establish an independent capability to detect, interdict, investigate, and prosecute illicit trade in both weapons of mass destruction and conventional arms. It uses dialogue, training, and the provision of donated equipment as its primary tools.<sup>149</sup>

## Bureau of Population, Refugees and Migration

More than \$1.76 billion has been allocated to the DoS Bureau of Population, Refugees and Migration (PRM) for programs to support Iraqi refugees and internally displaced persons (IDPs) since 2003. As of June 30, 2012, \$1.60 billion of that amount

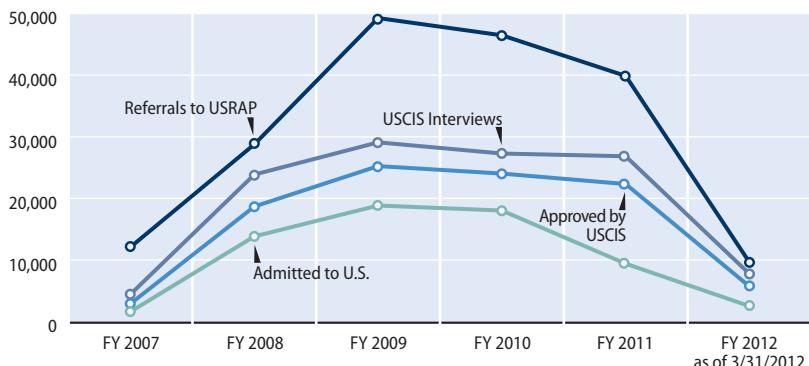
had been obligated, and \$1.54 billion had been expended. According to DoS, \$280 million was provided in FY 2011, and more than \$256 million was made available in FY 2012.<sup>150</sup> For cumulative PRM funding for Iraq activities, see Table 3.3.

As of June 30, 2012, PRM had 21 ongoing contracts and cooperative agreements—all funded by \$39.2 million in obligations of the Migration and Refugee Assistance (MRA) fund; \$14.7 million of this amount had yet to be expended. Most programs work to support the needs of IDPs inside Iraq and refugees living in Syria, Turkey, Jordan, Lebanon, and Egypt. All of these programs are scheduled to be completed by the end of 2012. PRM reported that its review of nongovernmental organization (NGO) proposals submitted for grants of FY 2012 funds is nearly complete.<sup>151</sup>

For more than five years, PRM has assisted Iraqi refugees, as well as Special Immigrant Visa (SIV) holders who have elected to receive refugee benefits, to resettle in the United States. As of June 30, 2012, more than 67,400 Iraq

As of June 30, 2012, more than 67,400 Iraq refugees had resettled in the United States through the U.S. Refugee Admissions Program since FY 2007.

**FIGURE 3.3**  
**USRAP IRAQI REFUGEE PROCESSING, FY 2007–FY 2012**



Source: USCIS, "Iraqi Refugee Processing Fact Sheet," 4/25/2012.

Preliminary numbers indicate that 1,733 Iraqis received SIVs this quarter, more than three times the number in the previous quarter.

refugees had resettled in the United States through the U.S. Refugee Admissions Program (USRAP) since FY 2007. The USRAP is a worldwide program managed by PRM. In Iraq, the USRAP is administered by the Refugee and IDP Affairs section at U.S. Embassy-Baghdad. The majority of Iraqi refugees have gained access to the USRAP through referrals from the UN High Commissioner for Refugees (UNHCR), with some referred from U.S. embassies and certain NGOs.<sup>152</sup>

However, the Refugee Crisis in Iraq Act, included in the FY 2008 National Defense Authorization Act, enables Iraqis who worked for the U.S. government, for contractors receiving U.S. government funding, and for U.S.-based media organizations and NGOs, as well as certain family members of those Iraqi employees, to apply directly to the USRAP without a UNHCR or other referral. Because UNHCR does not make in-country referrals, the only Iraqis inside Iraq who can gain access to the USRAP are U.S.-affiliated Iraqis who apply directly to the program.<sup>153</sup>

PRM works closely with U.S. Citizenship and Immigration Services (USCIS) to admit refugees, including Iraqis, to the United States through the USRAP. Once Iraqis have gained access to the USRAP either by UNHCR referrals or by applying directly, they are interviewed

by USCIS officers, primarily in Jordan, Egypt, Turkey, Lebanon, and Iraq. During the interview process, USCIS officers elicit information about the applicant's admissibility to the United States and claim of refugee status. USCIS has conducted more than 119,000 interviews of Iraqi refugees since FY 2007. USCIS officers have been unable to conduct in-person interviews of Iraqi refugee applicants in Syria since February 2011 because of security conditions.<sup>154</sup> For USRAP refugee processing, by fiscal year, see Figure 3.3.

Since October 2006, more than 6,000 Iraqi SIV holders who elected to receive refugee benefits had resettled in the United States under Section 1059 of the Interpreters and Translators Program and Section 1244 of the Iraqi SIV Program. (DoS tracks only the arrivals of SIV holders who seek benefits through PRM.) According to the Bureau of Consular Affairs, which is responsible for the Iraqi SIV programs, preliminary numbers indicate that 1,733 Iraqis received SIVs this quarter, more than three times the number in the previous quarter. Texas has the highest number of Iraqi SIV holders who elected benefits (1,267), an increase of more than 200 since last quarter.<sup>155</sup>

Other PRM activities this quarter focused on interagency coordination between DoS and USAID as the Office of Foreign Disaster Assistance (OFDA) transitions out of Iraq. OFDA, along with other USAID/Iraq staff, joined DoS personnel in PRM's NGO proposal review process.<sup>156</sup>

### Bureau of Democracy, Human Rights and Labor

The DoS Bureau of Democracy, Human Rights and Labor (DRL) has provided nearly \$496 million since FY 2006 to administer foreign assistance programs that are intended to support Iraqi governance, human rights, and civil society. DRL reported that it expects to receive \$22.8 million from the FY 2012 ESF, but as of June 30, 2012, it had not yet received or obligated any FY 2012 funds. DRL reported that it has requested \$17.4 million of the ESF for FY 2013.<sup>157</sup> For cumulative DRL

# U.S.-FUNDED PROGRAMS IN IRAQ

appropriations, obligations, and expenditures, by fiscal year, see Table 3.4.

This quarter, DRL released its 2011 human rights report, highlighting three problems of critical importance to Iraq: governmental and societal violence, a fractionalized population, and high levels of corruption throughout government and society.<sup>158</sup> For more on the report's findings, see the Governance subsection of this Report.

As of June 30, 2012, DRL had 34 ongoing contracts, grants, or cooperative agreements, valued at approximately \$110.4 million. Twenty-eight projects are funded by the ESF, and six are funded by the Human Rights and Democracy Fund. The largest ongoing project this quarter was a \$14 million ESF grant intended to strengthen Iraqi political institutions. All projects are scheduled to be completed by the end of 2013.<sup>159</sup>

Six grant projects, valued at \$32.0 million, were completed this quarter. The largest completed project was a \$15.0 million grant intended to improve governance capabilities. One new project was started this quarter: a \$2.0 million grant for governance initiatives.<sup>160</sup>

This quarter, DRL sought grant proposals for six Iraq assistance program areas:<sup>161</sup>

- \$5 million for the War Widows program
- \$4 million to strengthen human rights protection, including monitoring conditions in prisons and other detention facilities and addressing abuses in the criminal justice system
- \$3 million for the Iraqi Women's Democracy Initiative to support women's political and economic empowerment
- \$2.5 million to determine the prevalence of and knowledge, attitudes, and practices regarding gender-based violence and to assess programs to change attitudes and practices and increase protections for women
- \$1.5 million to improve freedom of the press through creating legal and regulatory frameworks and working with local media advocacy groups

**TABLE 3.4  
DRL FUNDING FOR ACTIVITIES IN IRAQ, AS OF 6/30/2012**  
\$ Millions

FISCAL YEAR	APPROPRIATED			OBLIGATED	EXPENDED
	DEMOCRACY FUND	ECONOMIC SUPPORT FUND	TOTAL		
2006	–	85.4	85.4	85.4	85.4
2007	190.0	15.3	205.3	190.0	187.8
2008	75.0	–	75.0	75.0	74.0
2009	0.5	76.5	77.0	76.9	74.4
2010	–	–	–	–	–
2011	–	30.0	30.0	11.3	3.6
2012	–	22.8	22.8	–	–
Total	265.5	230.1	495.6	438.7	425.2

Note: Data not audited. Numbers affected by rounding. Democracy Fund includes \$540,000 appropriated under the heading "Human Rights and Democracy Fund" for FY 2009.

Source: NEA-I, response to SIGIR data call, 7/2/2012.

- \$1.5 million to provide protection for at-risk Iraqis, including women threatened by honor crimes and lesbian, gay, bisexual, and transgender Iraqis

According to DRL, all programs that result from these proposals will be funded by the FY 2011 ESF.<sup>162</sup>

DRL released its 2011 human rights report, highlighting governmental and societal violence, a fractionalized population, and high levels of corruption.

## U.S. Agency for International Development

USAID's current efforts in Iraq fall into two categories: reconstruction and development programs funded by the ESF and the humanitarian-assistance program administered by the Office of Foreign Disaster Assistance (OFDA) and funded by the International Disaster Assistance (IDA) fund.<sup>163</sup> As of June 30, 2012, USAID had received \$2.92 billion in ESF funding to support its reconstruction and development programs and, through OFDA, had contributed \$450.8 million in funding for its humanitarian assistance program.<sup>164</sup>

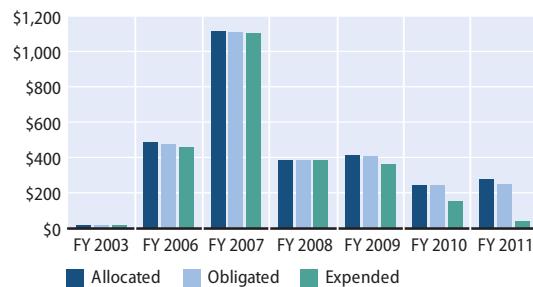
In January 2012, USAID informed SIGIR that it was working on a Country-wide Development Strategy for Iraq and was in the process of

The Agency's current efforts reflect two key lessons learned: the importance of sustainability and the need for greater oversight.

conducting assessments and gathering lessons learned.<sup>165</sup> This quarter, USAID reported that it expects to have the strategy completed by the end of the year.<sup>166</sup> In testimony before the Congress in June, USAID's Assistant Administrator for Middle East Affairs said that the Agency's current efforts reflect two key lessons learned with respect to its Iraq programs: the importance of sustainability and the need for greater oversight.<sup>167</sup> According to USAID's Iraq Mission Director, USAID has "shifted away from the idea of giving [the GOI] 'stuff,'" and instead is providing administrative and technical support.<sup>168</sup>

As of June 30, 2012, USAID reported that it had 93 personnel in its Iraq office overseeing the Agency's programs. These personnel included 31 U.S. government employees and 62 contractors (4 U.S., 30 Iraqi, and 27 third-country contractors, as well as 1 private security contractor).<sup>169</sup> USAID reported that it is starting to reduce the number of U.S. direct hires in Iraq and is hiring and training more local Iraqis to perform the functions previously done by third-country nationals.<sup>170</sup>

**FIGURE 3.4**  
**USAID ESF ALLOCATIONS, OBLIGATIONS, AND EXPENDITURES, BY FISCAL YEAR**  
\$ Millions



Source: NEA-I, response to SIGIR data call, 6/28/2012.

## ESF Programs

USAID's ESF allocations for its reconstruction and development programs in Iraq peaked at \$1.11 billion in FY 2007 and dropped significantly over the next four years (see Figure 3.4). USAID reported that no FY 2012 ESF funds have been allocated to these programs.<sup>171</sup> As of June 30, 2012, USAID was managing 11 active ESF programs with a combined contract ceiling of \$1.25 billion, had obligated \$1.04 billion to them, and had expended \$699.4 million.<sup>172</sup> For the status of program funds, see Figure 3.5.

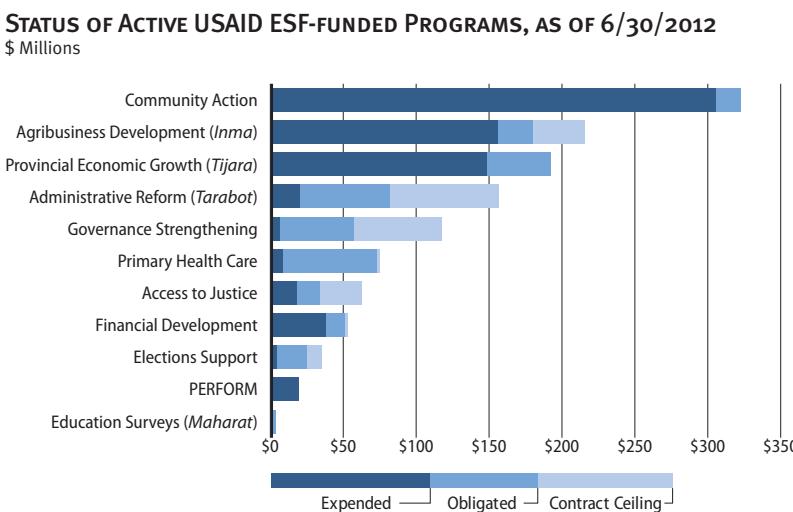
USAID received \$519.7 million in FY 2010 and FY 2011 ESF funding for Iraq. As of June 30, 2012, it had obligated all of the FY 2010 funds and 89% of the FY 2011 funds, for a combined total of \$488.8 million in obligations. USAID had expended \$190.9 million of these funds, leaving nearly \$298.0 million in unexpended obligations.<sup>173</sup> See Table 3.5 for the status of FY 2010 and FY 2011 funds.

USAID obligated \$89.7 million and expended \$65.5 million in ESF funds from all fiscal-year appropriations this quarter, leaving \$350.5 million in unexpended obligations at the end of the quarter.<sup>174</sup>

## Program Implementation

As shown in Table 3.6, USAID's implementing partners for its ESF-funded programs employed at

**FIGURE 3.5**



Sources: NEA-I, response to SIGIR data call, 6/28/2012; USAID, response to SIGIR data call, 7/9/2012.

# U.S.-FUNDED PROGRAMS IN IRAQ

**TABLE 3.5**  
**STATUS OF USAID FY 2010 AND FY 2011 ESF FUNDING, AS OF 6/30/2012**  
\$ Millions

APPROPRIATION	ALLOCATED	OBLIGATED	EXPENDED	QUARTERLY CHANGES	
				OBLIGATIONS	EXPENDITURES
FY 2010	242.0	242.0	151.8	—	21.6 (17%)
FY 2011	277.7	246.8	39.1	89.8 (57%)	32.7 (512%)
<b>Total</b>	<b>519.7</b>	<b>488.8</b>	<b>190.9</b>	<b>89.8 (22%)</b>	<b>54.4 (40%)</b>

Note: Data not audited. Numbers affected by rounding.

Source: NEA-I, response to SIGIR data call, 6/28/2012.

least 1,209 program personnel—87% of whom were Iraqis—supported by an additional 582 security contractors—for a total of 1,791 contractor personnel at the end of this quarter.<sup>175</sup>

USAID officials also reported that the security situation in Iraq continues to hamper monitoring and evaluation of program activities. USAID staff is only occasionally able to visit project sites.<sup>176</sup>

To address this challenge, USAID hired its first Partner Security Liaison Officer this quarter to work with its implementing partners to provide an independent capacity to assess local security “atmospherics” and develop working relationships with the Iraqi police and other GOI security organizations.<sup>177</sup> In addition, USAID and its implementing partners have begun to rely more on

The security situation in Iraq continues to hamper monitoring and evaluation of program activities.

**TABLE 3.6**  
**STAFFING LEVELS FOR USAID IMPLEMENTING PARTNERS, AS OF 6/30/2012**

PROGRAM	IMPLEMENTING PARTNERS	PROGRAM PERSONNEL					SECURITY CONTRACTORS	TOTAL
		U.S.	IRAQIS	THIRD-COUNTRY	SUBTOTAL			
Community Action	ACDI/VOCA, CHF International, IRD, and Mercy Corps	6	457	16	479	238	717	
Administrative Reform ( <i>Tarabot</i> )	Management Systems International (MSI)	17	223	17	257	221*	478	
Provincial Economic Growth ( <i>Tijara</i> )	Louis Berger Group	15	123	29	167	*	167	
Agribusiness Development ( <i>Inma</i> )	Louis Berger Group	8	86	4	98	*	98	
Governance Strengthening	Chemonics International Inc.	4	45	8	57	30	87	
PERFORM	The QED Group	—	8	1	9	67	76	
Primary Health Care	University Research Co., LLC	4	57	3	64	*	64	
Elections Support	Consortium for Elections and Political Process Strengthening	3	7	3	13	26	39	
Financial Development	AECOM International Development	11	20	—	31	*	31	
Access to Justice	DPK Consulting (ARD)	5	23	3	31	*	31	
Education Surveys ( <i>Maharat</i> )	Research Triangle Institute	—	3	—	3	*	3	
<b>Total</b>		<b>73</b>	<b>1,052</b>	<b>84</b>	<b>1,209</b>	<b>582</b>	<b>1,791</b>	

Note: Total personnel does not include 2 staff members and 22 security contractors working under QED’s Manpower contract to provide program office support to USAID.

\*Share the same security workforce

Sources: USAID, responses to SIGIR data call, 7/9/2012 and 7/17/2012.

TABLE 3.7

**GOI COST-SHARING REQUIREMENTS FOR ONGOING ESF PROGRAMS, AS DETERMINED BY USAID**

\$ Millions

PROGRAM	U.S. FUNDING			GOI CONTRIBUTION		
	TOTAL U.S. CONTRIBUTION	ESTIMATED SECURITY COSTS <sup>a</sup>	NET PROGRAM COSTS	EXEMPTED COSTS <sup>b</sup>	REQUIRED GOI COST SHARE <sup>c</sup>	SIGNED MOUS
Community Action (CAP) <sup>d</sup>	323.0	80.7	242.2	242.2	—	—
Provincial Economic Growth ( <i>Tijara</i> )	192.5	48.1	144.4	144.4	—	—
Agribusiness Development ( <i>Inma</i> )	169.8	42.5	127.4	127.4	—	—
Administrative Reform ( <i>Tarabot</i> ) <sup>e</sup>	156.0	39.0	117.0	—	117.0	20.0
Governance Strengthening	78.0	19.5	58.5	58.5	—	—
Primary Health Care	74.9	18.7	56.1	—	56.1	56.1
Financial Development <sup>f</sup>	53.3	13.3	40.0	40.0	—	7.0
Access to Justice	43.7	10.9	32.8	32.8	—	—
Elections Support	35.6	8.9	26.7	26.7	—	—
PERFORM - Monitoring & Evaluation	14.3	3.6	10.8	10.8	—	—
Education Surveys ( <i>Marahat</i> )	3.7	0.9	2.8	—	2.8	—
<b>Total</b>	<b>1,144.8</b>	<b>286.2</b>	<b>858.6</b>	<b>858.6</b>	<b>175.9</b>	<b>83.1</b>

<sup>a</sup>An estimated 25% of all program costs is attributed to providing security, which DoS guidelines exempt from the GOI's financial participation.<sup>b</sup>DoS guidelines allow exemptions from mandatory GOI cost-sharing requirements for projects that do not benefit the central government, that support the private sector, or that address issues of democracy and human rights or community assistance. Projects that assess the effectiveness of U.S. government programs are also exempted.<sup>c</sup>GOI cost share has been committed as in-kind contributions, such as land or equipment.<sup>d</sup>USAID reported it is seeking a GOI cost-share commitment of \$159.7 million for this exempted program.<sup>e</sup>USAID secured a \$20.0 million GOI cost-share commitment for this program—all in-kind contributions, such as land or equipment.<sup>f</sup>USAID secured a \$7.0 million GOI cost-share commitment for this exempted program—all in-kind contributions, such as land or equipment.

Note: Numbers affected by rounding. USAID reported it is considering seeking a GOI cost-sharing commitment for the following exempted programs: Governance Strengthening, Access to Justice, and Elections Support.

Sources: USAID, responses to SIGIR data call, 7/10/2012 and 7/16/2012.

Iraqi field monitors, who visit project sites regularly to inspect, evaluate, and report on projects and oversee how program activities are implemented at the ground level.<sup>178</sup>

### GOI Cost Sharing

According to USAID's Deputy Inspector General, weak or non-existent host-nation support for some programs has resulted in the failure of those programs to meet their objectives, which has led USAID to question their long-term sustainability.<sup>179</sup> To ensure long-term Iraqi investment and commitment to the sustainment of new programs, USAID's Assistant Administrator for Middle East Affairs stated that the Agency requires a matching GOI financial contribution and a detailed plan for

transitioning responsibility of USAID projects to the GOI.<sup>180</sup>

According to DoS guidelines for GOI financial participation in ESF-funded projects, the GOI must, subject to certain exceptions, contribute 50% of a program's costs. The contribution may be in the form of cash or in-kind contributions, such as "land contributed to attainment of the project."<sup>181</sup>

According to USAID, as of June 4, 2012, the 11 active ESF programs had a total contract value of \$1.14 billion. Of this amount, USAID identified 8 projects, valued at \$910.3 million (80%), as exempt from the matching requirement based on the DoS guidelines. For the remaining three active projects, valued at \$234.6 million, USAID determined the security costs of each project to be 25%, which it excluded from the financial participation

USAID identified 8 projects, valued at \$910.3 million, as exempt from the matching requirement.

# U.S.-FUNDED PROGRAMS IN IRAQ

requirement. As Table 3.7 shows, after subtracting the estimated \$58.6 million in security costs, USAID determined that the GOI needed to match \$175.9 million (15%) of total project costs.<sup>182</sup>

USAID also reported that it had secured cost-sharing MOUs with the GOI totaling \$76.1 million—\$20.0 million for the Administrative Reform Project, called *Tarabot* (Arabic for “linkages”), and \$56.1 million for the Primary Health Care Project. USAID stated that these are in-kind contributions and that “the ministries will use their funds to engage in complementary activities consistent with the MOUs.” Additionally, USAID reported it had secured a \$7.0 million cost-sharing MOU for the Financial Development Project, even though it considers this program exempt from the cost-sharing requirement. USAID is also seeking a \$159.7 million cost-sharing agreement for another exempt program, the Community Action Program.<sup>183</sup>

## Recent Program Activities

USAID has 10 ongoing development projects that work toward goals in three areas—capacity building, economic growth, and democracy and governance. A separate evaluation project monitors these programs.<sup>184</sup>

### Capacity Building

USAID’s capacity-building programs aim to increase the capacity of the GOI at the local, provincial, and national level to better respond to the needs of its citizens and improve service delivery through better governance.<sup>185</sup>

The four-year, \$156.7 million ***Tarabot Administrative Reform project*** completed its first year this quarter.<sup>186</sup> Reported activities this quarter included:

- The U.S. government signed an MOU with the Office of the Prime Minister outlining U.S. support for Iraqi efforts to develop a more inclusive and transparent process for developing policies and regulations. (The MOU also established the Office of Policy Development in the Prime Minister’s Office, which is intended to lead



Iraq's Deputy Minister for Labor and Social Affairs and the USAID Mission Director sign the Cooperation Roadmap, April 18. (USAID photo)

national-level development and implementation of equitable and transparent government policies.)<sup>187</sup>

- The USAID Mission Director and Iraq’s Deputy Minister of Labor and Social Affairs signed a “Cooperation Roadmap” outlining *Tarabot*’s assistance to complete the Social Safety Net program, which aims to automate the distribution of monthly beneficiary payments to approximately 1.4 million poor Iraqis.<sup>188</sup>
- In May, the Ministry of Planning and Development Cooperation (MoPDC) and *Tarabot* jointly hosted a conference for the creation of the 2013–2017 National Development Plan. According to USAID, the MoPDC projected Iraq’s revenue will top \$600 billion over the next five years, which will help Iraq meet its National Development Plan goals; however, planning and implementing the programs necessary to achieve these goals will continue to present a significant challenge for Iraq.<sup>189</sup>
- In June, *Tarabot* hosted the First Ministries Development Conference, which was attended by more than 150 participants, including ministers and deputy ministers from eight GOI ministries and representatives of the President and Prime Minister. Figure 3.6 presents the 14 recommendations developed by ministry participants to guide USAID assistance to the GOI and improve the delivery of public services.<sup>190</sup>

In May, the MoPDC and *Tarabot* jointly hosted a conference for the creation of the 2013–2017 National Development Plan.

Previously, *Tarabot* finalized plans with the Office of the Prime Minister to launch a

FIGURE 3.6  
RECOMMENDATIONS FOR TARABOT PROGRAM



**First Ministries Development Conference Recommendations**  
**June 10, 2012**

1- Adoption of the Conference Slogan of "One Vision For Better Service" as a basis and practical application of the mutual work between USAID-Tarabot and the concerned ministries.

2- Formation of a "Supreme" Steering Committee which includes representatives from all ministries and affiliated institution to work with the USAID-Tarabot project. This committee should meet periodically, perhaps every 3 months.

3- Urge ministry leadership and the steering committees to utilize the cost share mechanism and get the necessary funds from the allocated, budgeted national fund amount of US\$86 Million.

4- Specify the problems that each ministry faces through assessments, surveys and set the database and abilities that can be used to solve these problems.

5- Set a Plan of Action between USAID-Tarabot and the concerned ministries that can be reviewed periodically (quarterly) by the ministries' respective steering committees in conjunction with USAID-Tarabot.

6- Work together to overcome obstacles and implement meaningful administrative reform and decentralization activities at the same time to reach the intended results.

7- Identify all directorates belonging to the ministries (central and provinces) whether these in the Central Ministries or in the Provinces and encourage focus group meetings about the USAID-Tarabot project's activities.

8- Establish and promote Organizational Development Units in all partner Iraqi Ministries.

9- Project a time table of all workshops and training courses proposed by USAID-Tarabot from three months beforehand in order not to intersect or interfere with other international organizations' activities.

10- Hold quarterly or twice-annually workshops, seminars, or focus group meetings to review and evaluate what has been achieved.

11- Hold Awareness Courses and workshops on the subjects of Service Centers Improvement (the One Stop Shop), Administrative Decentralization, General Policy, and Civil Service Law.

12- Pay special attention to the ministries' field employees and facilitate USAID-Tarabot's assessments and surveys for them.

13- Hold Monthly or Quarterly follow-up meetings with the target people and explain the relationship between service delivering civil servants and the Iraqi people.

14- Hold a Second Ministries Development Conference in Baghdad or another place in March 2013 to review and evaluate the results of the collaborative activities to date.

Source: USAID, response to SIGIR data call, 7/15/2012.

comprehensive program of regulatory reform, focusing on regulations that inhibit economic growth and impede public-sector effectiveness.<sup>191</sup> USAID reported that the Iraqi Solutions for Regulatory and Administrative Reform (*ISRAR*) project did not launch this quarter as was originally scheduled. *ISRAR*, Arabic for "determination," is intended to identify and eliminate the most harmful existing laws and regulations affecting business activity, such as new business registration, construction permits, and import licenses. The GOI has decided that *ISRAR* will be administered in liaison with the Prime Minister's Advisory Council. USAID presented the Office of the Prime Minister with a draft MOU formalizing the USAID-GOI relationship with *ISRAR*. USAID anticipated that the MOU would be signed in July.<sup>192</sup>

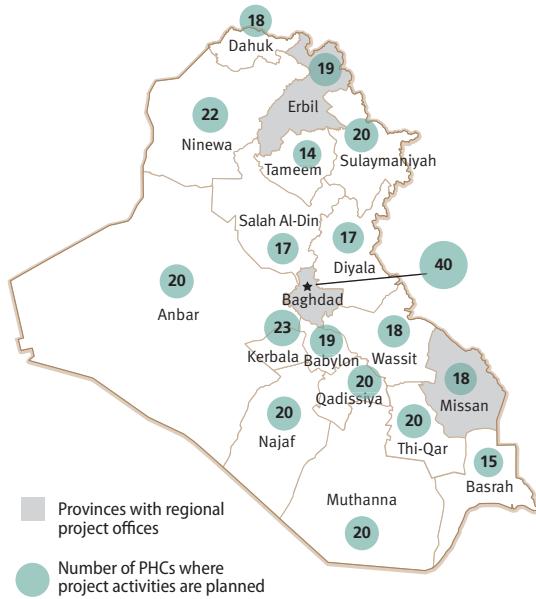
Last quarter, USAID stated that its five-year, \$117 million **Governance Strengthening Project**, which was launched in October 2011, experienced start-up problems because of the turnover of senior staff and key personnel and security constraints. According to USAID, the program's management resolved the issue this quarter by recruiting experienced Iraqi staff with a long history of working with GOI counterparts and at various Iraqi organizations. In addition, USAID modified the contract to eliminate some specific project requirements, such as a comprehensive baseline report. The program now has offices in four Iraqi provinces. This quarter, USAID's implementing partner reported that this project was facing a new challenge: Based on directives from various political parties, some GOI officials are hesitant to be involved in a project implemented with U.S. funding.<sup>193</sup>

The Governance Strengthening Project has hosted a series of conferences, workshops, and training sessions aimed at improving the ability of local governments to respond to citizens. According to USAID, the most prominent activity was a two-day conference in Baghdad called Local Governments: Centers of Excellence.<sup>194</sup>

The four-year, \$74.8 million **Primary Health Care Project in Iraq** began in March 2011 to

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**FIGURE 3.7**  
**PRIMARY HEALTH CARE PROJECT:**  
**REGIONAL OFFICES AND PRIMARY HEALTH CARE**  
**CENTERS, BY PROVINCE**



Source: USAID, response to SIGIR data call, 7/3/2012.

assist the Iraqi Ministry of Health in strengthening primary healthcare services.<sup>195</sup> An additional \$31 million was obligated in support of this program this quarter—the largest amount obligated to any one of USAID's Iraq programs this quarter—increasing total obligations for this program to \$72.9 million.<sup>196</sup>

During its first year, according to USAID, this program was unable to rapidly recruit Iraqi and expatriate staff. This quarter, USAID reported that the implementing partner designed a capacity-development strategy and mentoring program that enabled it to meet its staffing goals by filling some of the national advisory positions with junior staff and using short-term technical assistants to provide additional support.<sup>197</sup>

USAID reported that the Primary Health Care Project hosted several multiday workshops and training sessions this quarter. For example, a May workshop brought together 35 representatives from various Ministry of Health technical divisions, as well as provincial leaders from Missan, Basrah, Babylon, and Baghdad, to review a newly proposed overhaul of medical records. According to USAID,

**TABLE 3.8**  
**SELECTED ACTIVITIES OF USAID ECONOMIC GROWTH PROGRAMS, 4/1/2012–6/30/2012**

PROGRAM	ACTIVITIES
<b>PROVINCIAL ECONOMIC GROWTH (<i>Tijara</i>)</b> PROGRAM DURATION: 1/2008–1/2013	<i>Tijara</i> inaugurated its Iraqi Vulnerable Group Support initiative at the Chaldean Cultural Center in Erbil. As of May, according to USAID, this initiative had disbursed \$4.9 million to 1,165 vulnerable borrowers (15% of whom are female) in seven provinces.
<b>TOTAL CONTRACT CEILING: \$192.5 million (\$16.4 million obligated; \$12.8 million expended this quarter)</b>	
<b>FINANCIAL DEVELOPMENT</b> PROGRAM DURATION: 8/2010–7/2015	The Financial Development Program-sponsored Bank Training Institute began providing services to the Iraqi banking sector this quarter, training 77 students from 28 banks.
<b>TOTAL CONTRACT CEILING: \$53.3 million (\$19.6 million obligated; \$2.7 million expended this quarter)</b>	
<b>AGRICULTURE DEVELOPMENT (<i>Inma</i>)</b> PROGRAM DURATION: 5/2007–11/2012	<i>Inma</i> was extended until November 2012 to provide additional technical training to GOI staff, improve understanding of ongoing project activities, and ensure that the project's impact is sustainable and replicable. USAID reported that enterprises supported and initiated by <i>Inma</i> have recorded \$151.2 million in direct sales with 15,085 employed.
<b>TOTAL CONTRACT CEILING: \$215.9 million (\$10.0 million obligated; \$6.7 million expended this quarter)</b>	

*Tijara* inaugurated its Iraqi Vulnerable Group Support initiative.

Note: Data not audited. Numbers affected by rounding. Obligations and expenditures are reported as of 6/30/2012.

Sources: Financial data—NEA-I, responses to SIGIR data calls, 9/28/2011, 3/27/2012, 6/28/2012, 6/29/2012, and 7/2/2012; *Tijara*—USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012, and “USAID-Tijara Provincial Economic Growth Program, Advancing Private Sector Development in Iraq, May 2012,” p. 7, [tijara-iraq.com/.../usaid-tijara\\_program\\_overview\\_presentation-may2012\\_web.pdf](http://tijara-iraq.com/.../usaid-tijara_program_overview_presentation-may2012_web.pdf), accessed 6/26/2012; Financial Development—USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012; *Inma*—USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012.

The Primary Health Care Project has established regional offices in Baghdad, Erbil, and Missan and will ultimately conduct project activities at 360 PHCs throughout the country.

the proposed system, which will be piloted in select primary healthcare centers (PHCs) over three to six months, would improve patient outcomes by reducing duplication and waste and ensuring that healthcare providers have the information needed to make the best decisions for patients.<sup>198</sup> Other workshops focused on promoting better health care for children and working toward an electronic health information system.<sup>199</sup>

According to USAID, the Primary Health Care Project has established regional offices in Baghdad, Erbil, and Missan and will ultimately conduct project activities at 360 PHCs throughout the country (see Figure 3.7). As of June 30, 2012, program staff had worked with 339 PHCs.<sup>200</sup>

The year-long, \$3.7 million **Education Surveys Project** called *Maharat* (Arabic for “skills”), began in October 2011. USAID’s implementing partner is working with the Ministry of Education to administer education surveys to capture information on

essential components of the Iraqi education system in order to improve education-related services and the quality of primary schools. The survey focus is grades one through three. Results of the surveys will assist in a new primary education project in late 2012.<sup>201</sup>

#### **Economic Growth**

USAID’s economic growth programs aim to facilitate public-sector reform and private-sector growth, provide better access to financial services, develop private agribusinesses, and create an enabling environment that fosters private-sector development.<sup>202</sup> See Table 3.8 for selected program activities this quarter.

#### **Democracy and Governance**

The stated purpose of USAID’s democracy and governance programs is to encourage the integration of democratic principles into all levels of

**TABLE 3.9  
SELECTED ACTIVITIES OF USAID DEMOCRACY AND GOVERNANCE PROGRAMS, 4/1/2012–6/30/2012**

PROGRAM	ACTIVITIES
<b>COMMUNITY ACTION</b> PROGRAM DURATION: 8/2008–9/2012	Delays in obtaining Iraqi visas continue to be a major problem for CAP's implementing partners. The Chiefs of Party for two implementing partners encountered delays of more than three months, preventing them from traveling to Baghdad. USAID reported that new GOI-controlled checkpoint restrictions have caused additional problems, and U.S. civilians are unable to travel freely to monitor project activities. To address these issues, USAID's implementing partners have begun employing Iraqis as field monitors. They travel to conferences, construction sites, and other activities, completing standardized forms on each (including narratives and photographs), to help program leaders improve implementation.
<b>ELECTIONS SUPPORT</b> PROGRAM DURATION: 9/2011–9/2014	This project continues the efforts of the seven-year, \$103 million Electoral Technical Assistance Program, which ended in September 2011. The program provides technical assistance, mentoring, and training to the IHEC, which is responsible for announcing and implementing regulations, rules, and procedures related to referenda and elections.
<b>ACCESS TO JUSTICE</b> PROGRAM DURATION: 9/2010–9/2013	USAID reported that one focus of the program this quarter was a campaign to increase knowledge about the importance of registering marriages and to improve access to services and entitlements provided by the GOI under the Personal Status Law.

**Note:** Data not audited. Numbers affected by rounding. Obligations and expenditures are reported as of 6/30/2012.

**Sources:** Financial data—NEA-I, responses to SIGIR data calls, 9/28/2011, 3/27/2012, 6/28/2012, 6/29/2012, and 7/2/2012; Community Action—USAID, Democracy and Governance, “Program Summaries,” [iraq.usaid.gov/node/121](http://iraq.usaid.gov/node/121), accessed 7/12/2012, and responses to SIGIR data calls, 4/2/2012 and 7/3/2012; USAID, “Testimony of Mara Rudman, Assistant Administrator for the Middle East, U.S. Agency for International Development, House Oversight and Government Reform Subcommittee on National Security, Homeland Defense, and Foreign Operations, Assessment of the Transition from a Military to a Civilian-led Mission in Iraq,” 6/28/2012; Elections Support—USAID OIG, Audit Report No. E-267-12-003-P, “Audit of USAID/Iraq’s Electoral Technical Assistance Program,” 3/22/2012, p. 1; USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012, and “Program Summaries,” [iraq.usaid.gov/node/121](http://iraq.usaid.gov/node/121), accessed 7/12/2012; Access to Justice—USAID, responses to SIGIR data calls, 4/2/2012 and 7/3/2012.

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USAID-sponsored banking seminar provided training to 77 students from 28 of Iraq's 32 banks. (USAID photo)



Inma technical specialist teaches vegetable-grafting methods to Ministry of Agriculture and nursery personnel. (USAID photo)

Iraqi government—national, provincial, and local.<sup>203</sup> See Table 3.9 for selected program activities this quarter.

## Monitoring and Evaluation

The three-year, \$14.3 million **Performance Evaluation and Reporting for Results Management (PERFORM)** program has conducted evaluations of USAID programs, monitoring of projects, and sector assessments. Since its launch in September 2009, the PERFORM program has conducted nine evaluations of USAID programs, undertaken three sector assessments, and monitored both ESF and OFDA projects.<sup>204</sup> The PERFORM program is scheduled to end this August; however, USAID stated it may be extended for 90 days without additional cost to complete already started activities. According to USAID, a new performance-management program is being developed for implementation starting in January 2013.<sup>205</sup>

## Foreign Disaster Assistance

Last quarter, OFDA closed out its staff presence at the USAID Mission in Iraq, and this quarter, it closed out four of its Iraq programs.<sup>206</sup>

As of June 30, 2012, OFDA maintained three active FY 2011-funded programs: the two humanitarian assistance programs that distributed emergency relief commodities, helped develop

local emergency response capacity, and worked to strengthen coordination and information sharing among relief agencies supporting internally displaced persons; and a monitoring and evaluation program. According to USAID, OFDA does not plan to provide FY 2012 program funding, but had committed more than \$54,000 in administrative costs for the year, as of June 30, 2012.<sup>207</sup>

USAID reported that, even though OFDA closed its office in March, it maintains the ability to quickly respond to potential emergencies within Iraq through established working relationships with relief agencies on the ground, such as the International Organization for Migration.<sup>208</sup>

## Other Civilian Agencies

Table 3.10 highlights activities conducted this quarter by the many other U.S. civilian agencies working in Iraq, including:

- Department of Justice
- Department of Homeland Security
- Department of the Treasury
- Department of Transportation
- Department of Commerce
- Department of Agriculture
- Export-Import Bank
- Overseas Private Investment Corporation

Last quarter, OFDA closed out its staff presence at the USAID Mission in Iraq, and this quarter, it closed out four of its Iraq programs.

TABLE 3.10

**OTHER CIVILIAN AGENCIES, STAFF LEVELS AND SELECTED ACTIVITIES, 4/1/2012–6/30/2012**

AGENCY	ACTIVITIES THIS QUARTER
<b>DEPARTMENT OF JUSTICE (DoJ)</b> STAFF: 15	DoJ monitored GOI legal proceedings against Hezbollah operative Ali Musa Daqduq, who was accused of organizing a 2007 attack in southern Iraq that killed five U.S. servicemembers. Daqduq was acquitted at trial, based on lack of evidence. DoJ then filed an extradition request, which is pending.
<b>DEPARTMENT OF HOMELAND SECURITY (DHS)</b> STAFF: 10	The U.S. Coast Guard's two positions in Iraq were eliminated this quarter. USCG support of Iraqi efforts to certify the Umm Qasr port and offshore oil platforms to international standards has been transferred to the USCG International Port Security Liaison Department in Rotterdam. The U.S. Customs and Border Protection Service began an assessment of MOI cargo surveillance equipment at Iraqi ports, including highly sophisticated non-intrusive rapid scanners that can detect contraband, including weapons of mass destruction or for use in terrorism attacks. According to DHS, the MOI needs, but has not yet developed, a long-term maintenance and repair plan for the equipment. Moreover, anecdotal evidence suggests that some scanners are not used because of insufficient operator training. In another case, a scanner could not be started because the keys had been lost. DHS Homeland Security Investigations conducted a two-week training course for GOI personnel on cross-border financial investigations, including cases of money laundering and document fraud.
<b>DEPARTMENT OF THE TREASURY</b> STAFF: 7	The Economic Crimes Team assisted the Commission of Integrity (COI) in recovering Saddam-era assets that had been moved out of the country: \$116 million from France, \$100 million from Kuwait, and \$1 million from Lebanon. The team also supported an investigation that led to the arrest of five suspects linked to a December 2011 bombing of the COI investigative office at Rusafa that claimed the lives of 28 COI employees. The Revenue Team continued to assist the General Commission of Taxes to broaden Iraq's tax base and boost government revenue through consultation, coaching, and on-the-job training. The Banking Team assisted the Central Bank of Iraq to improve its data-automation technologies and build oversight capacity.
<b>DEPARTMENT OF TRANSPORTATION (DoT)</b> STAFF: 3	DoT's aviation advisor verified expanded flight procedures and upgraded navigational aids at Baghdad and Basrah International Airports. The maritime/ports advisor helped Iraqi counterparts to improve port operating efficiency and train personnel.
<b>DEPARTMENT OF COMMERCE</b> STAFF: 4	U.S. Commercial Service officers liaised with relevant business organizations and conducted due-diligence checks to help U.S. companies find potential Iraqi business partners, agents, or distributors. The agency also completed "Doing Business in Iraq: 2012 Country Commercial Guide for U.S. Companies," a guide for trading, investing, and operating in Iraq.
<b>DEPARTMENT OF AGRICULTURE</b> STAFF: 7	USDA offered three fellowships for Iraqis to attend courses in the United States. In the coming months, in-country staff will focus on promoting U.S. exports and will be managed from a regional office in Cairo.
<b>EXPORT-IMPORT BANK</b> STAFF: 0	The United States outlined a potentially greater role in Iraq for both the Export-Import Bank and the Overseas Private Investment Corporation (OPIC) this quarter. However, the Ex-Im Bank concluded that the lack of viable financing structures in the country would likely continue to constrain growth of activity in the short and medium term. The Bank agreed to outline the financial terms it could offer if the GOI were able to develop a viable credit structure and complete an analysis to determine if a guarantee backed by the Ministry of Finance and the Council of Ministers could serve as a sovereign guarantee. It has also begun exploring other alternatives, including the possible use of escrow accounts, partial collateral, and forward oil sales. The Ex-Im Bank concluded that conducting business with Iraq's small, privately owned banks was "years away." The Ex-Im Bank this quarter also authorized one short-term insurance policy in the amount of \$1.2 million to cover the export of equipment from Baltimore-based Ellicott Dredges, LLC.
<b>OVERSEAS PRIVATE INVESTMENT CORPORATION</b> STAFF: 0	OPIC approved a \$27 million loan to Claremont Erbil LLC to build 900 affordable housing units in Erbil and disbursed a \$1.5 million loan to the Iraq Middle Market Development Foundation, which provides financial support to Iraqi-owned companies. A Claremont Group application for a \$15 million loan submitted in 2011 to build 200 serviced apartments in Erbil under Hilton Worldwide's DoubleTree Suites brand remained under consideration.

**Note:** Data not audited. Staff numbers reflect those based in Baghdad, including U.S. nationals, third-country nationals, and locally employed Iraqis.

**Sources:** DoJ, meeting with SIGIR, 6/4/2012, and information provided to SIGIR, 7/11/2012 and 7/12/2012; DHS, meeting with SIGIR, 5/31/2012; and information provided to SIGIR, 7/19/2012; USCG Rotterdam, information provided to SIGIR, 7/13/2012; U.S. Treasury, response to SIGIR data call, 7/5/2012; DoT, meeting with SIGIR, 6/5/2012, and response to SIGIR data call, 7/3/2012; U.S. Commercial Service, meeting with SIGIR, 6/3/2012, "Doing Business in Iraq: 2012 Country Commercial Guide for U.S. Companies," p. 2, and response to SIGIR data call, 7/3/2012; USDA, meeting with SIGIR, 5/31/2012, and response to SIGIR data call, 7/3/2012; DoS, Office of the Spokesperson, press release, "Joint Statement of the U.S.-Iraq Joint Coordinating Committee on Energy," 4/23/2012, [www.state.gov/r/pa/prs/ps/2012/04/188295.htm](http://www.state.gov/r/pa/prs/ps/2012/04/188295.htm), accessed 6/21/2012; OPIC, response to SIGIR data call, 7/3/2012, and Director, Portfolio on Services, information provided to SIGIR, 7/3/2012; Export-Import Bank, response to SIGIR data call, 7/9/2012.

## DEFENSE PROGRAMS

### Office of Security Cooperation-Iraq

OSC-I manages U.S. security interests in Iraq with responsibilities beyond typical security assistance programs around the world, including a wide range of protective security and defense-contractor activities—from supporting in-country processing requirements of the GOI to serving as the principal reporting authority for security activities and incidents.<sup>209</sup> OSC-I has functional oversight of nearly 8,900 military and DoD civilian contractor personnel, or more than 70% of all contractors serving under Chief of Mission authority.<sup>210</sup>

OSC-I's security assistance program focuses on the delivery of equipment and services through the Foreign Military Sales (FMS) program and remaining balances of the expiring Iraq Security Forces Fund (ISFF) appropriation. This quarter, SIGIR issued an audit reviewing ISFF expenditures and OSC-I's plans to obligate available balances before September 30, 2012.<sup>211</sup> For a summary, see Section 5 of this Report. With the ISFF expiring on September 30, 2012,<sup>212</sup> OSC-I is developing a spend plan for the \$850 million Foreign Military Financing (FMF) program in Iraq made available beginning in FY 2012.<sup>213</sup>

As of June 30, 2012, OSC-I was managing 159 FMS-related cases with a collective value of \$8.1 billion, including 75 cases funded by \$1.4 billion of the ISFF and 84 GOI-funded cases valued at nearly \$6.7 billion. In addition, OSC-I manages one direct contract, the ISFF-funded War Fighter Focus program, valued at nearly \$164.3 million (including unexercised options).<sup>214</sup>

#### OSC-I Sites

OSC-I, under Chief of Mission authority, currently manages six sites in Iraq, although an ongoing assessment by DoS and DoD is expected



SIGIR officials meet with the OSC-I Chief, Lieutenant General Robert Caslen, in May 2012.

to result in a smaller OSC-I footprint.<sup>215</sup> As Figure 3.8 shows, OSC-I currently supports a broad range of FMS-related cases and prospective security-cooperation activities.

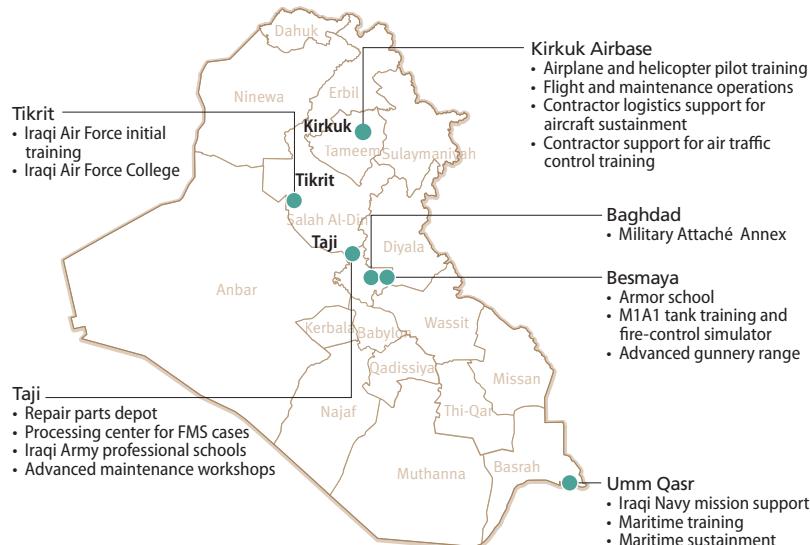
Although all OSC-I sites are to be transferred to the GOI by the end of FY 2013, some of the facilities at these locations do not meet the security and occupancy requirements for ongoing U.S. activities and are being upgraded.<sup>216</sup>

- At Besmaya and Tikrit (the former Camp Speicher), a \$55.0 million USACE contract to design and construct protective overhead covers for the dining facilities, as well as other site improvements, is expected to be completed by October 2013.<sup>217</sup>
- At Umm Qasr, a \$2.3 million USACE project set to be awarded in August would provide an overhead cover for the dining facilities and upgrade the entry control point by April 2013.<sup>218</sup>
- At Tikrit Air Base, a \$1.2 million project to renovate and upgrade housing facilities is expected to be completed by January 2013.<sup>219</sup>

OSC-I is a significant customer of USACE's Iraq Area Office, which anticipates a continuing workload in Iraq of up to three more years. About half of USACE's current projects are FMS cases, including several involving the U.S. Air Force

As of June 30, 2012, OSC-I was managing 159 FMS-related cases with a collective value of \$8.1 billion, including 75 cases funded by \$1.4 billion of the ISFF and 84 GOI-funded cases valued at nearly \$6.7 billion.

**FIGURE 3.8**  
**DoD-MANAGED SITES IN IRAQ, AS OF 6/2012**



Sources: GAO Testimony GAO-12-856T, statement of Michael J. Courts, Acting Director International Affairs and Trade, "Mission Iraq: State and DoD Face Challenges in Finalizing Support and Security Capabilities," 6/28/2012, p. 3; DoD OIG Report DODIG-2012-063, "Assessment of the DoD Establishment of the Office of Security Cooperation-Iraq," 3/16/2012; OSD, response to SIGIR data call, 10/3/2011.

Materiel Command for projects that support the Iraqi Air Force.<sup>220</sup> USACE has contracts for projects at existing facilities in various locations that directly support OSC-I operations outside of the FMS program.<sup>221</sup>

### OSC-I Activities

The largest ongoing OSC-I training activity was the ISFF-funded War Fighter Focus program, conducted by 7 DoD military personnel and 178 Security Assistance Team contractors.

**Security Cooperation**—All DoD interactions with foreign defense establishments to build defense relationships that promote specific U.S. security interests, develop allied and friendly military capabilities for self-defense and multinational operations, and provide U.S. forces with peacetime and contingency access to a host nation.

**Security Assistance**—Group of programs authorized by the Foreign Assistance Act of 1961, as amended, and the Arms Export Control Act of 1976, as amended, or other related statutes by which the United States provides defense articles, military training, and other defense-related services by grant, loan, credit, or cash sales in furtherance of national policies and objectives. Security assistance is an element of security cooperation funded and authorized by DoS to be administered by DoD/Defense Security Cooperation Agency.

Source: DoD OIG, statement of Special Deputy Inspector General for Southwest Asia before the House Subcommittee on National Security, Homeland Defense and Foreign Operations, House Committee on Oversight and Government Reform, "The Transition from a Military to a Civilian-Led Mission in Iraq," 6/28/2012.

OSC-I reported that it maintains weekly or biweekly "standing meetings" with the Minister of Defense, the Secretary General, and Director General of Armaments and Supply to refine priorities of ongoing sustainment and training cases. OSC-I advisors liaise with numerous ISF entities across a range of services and echelons (see Table 3.11).<sup>224</sup>

Although OSC-I reports that its activities serve to strengthen relationships with Iraq's security ministries, DoD has indicated that aspects of its operations are perceived to be hindered by the absence of a post-2011 Security Agreement or Status of Forces Agreement (SOFA). Such agreements typically support defense relationships that promote specific U.S. security interests and lead to development of a host nation's military capabilities for self-defense and multinational operations, while providing U.S. forces with strategic peacetime and contingency access. A SOFA carries the additional benefit of clarifying GOI support for day-to-day OSC-I operations, which can influence longer-term relationship building.<sup>225</sup>

The largest ongoing OSC-I training activity as of June 30, 2012, was the ISFF-funded War Fighter Focus program, conducted by 7 DoD military personnel and 178 Security Assistance Team (SAT) contractors at Besmaya and Taji. This quarter, 2,070 Iraqi Army (IA) soldiers received training through the programs, which include:<sup>226</sup>

- **Maneuver Collective Training.** At Besmaya, a battery and company training program for M113, M1A1, and M198 armored vehicles

# U.S.-FUNDED PROGRAMS IN IRAQ

TABLE 3.11  
OSC-I ADVISOR ENGAGEMENTS, AS OF 6/30/2012

OSC-I GROUP	ISF SUPPORT ACTIVITIES
Air Force Section	13 officers and 1 enlisted servicemember based in Baghdad and Tikrit provide support for Iraq's Air Force College and communicate, advise, mentor, and train the ISF from the ministerial level down through the line personnel on issues such as command and control and maintenance and logistics (including assessments and training).
Army Aviation	1 officer and 2 enlisted personnel based in Baghdad and Taji provide liaison with senior Iraqi Army Aviation officials on all training, exercises, maintenance, and command and control activities. One serves as a weapon training advisor for the Iraqi Army's Scout Helicopter.
Army Section	9 officers and 5 enlisted personnel based in Baghdad, Besmaya, and Taji provide a wide range of support activities for the IA, both at the ministerial level and as training advisor for the senior NCO program, providing technical expertise to support training, sustainment, logistics and maintenance for the IA's armor, small-arms, lift-helicopter, and communications systems.
Engagements	11 officers based in Baghdad provide support for engagements with senior GOI ministry officials and officer corps.
Logistics Section	8 officers based in Baghdad and Taji provide supply, maintenance, and logistics management support to the GOI and security ministries.
Navy Section	7 officers based in Baghdad and Umm Qasr provide a range of training, maintenance, sustainment, engineering, and communications support to GOI and Iraqi Navy.
OSC-I HQS	4 officers, 1 enlisted servicemember, and 1 civilian employee based in Baghdad manage OSC-I operations.
SOF Training	23 officers and 8 enlisted personnel based in Baghdad advise, assist, and train Iraqi Special Operations Forces in all aspects of operating, sustaining, and maintaining operations.
Training Management	1 officer based in Baghdad maintains liaison with COM/OSC-I and external DoD entities and maintains DoD requirements of OSC-I missions.

Source: OSC-I, response to SIGIR data call, 7/3/2012.

prepares officers for force integration and the modernization of division battle staffs that will be trained at the Taji Joint Training Center beginning in October. Training includes the lethal effects of direct and indirect-fire and exposes junior leaders to operating as part of a Battalion Task Force.

- **Maintenance Training.** Maintenance Assistance Instruction Teams at Besmaya train IA mechanics with the intent to establish a self-supporting maintenance capability. The final stage of M88A1 recovery vehicle training at both Besmaya and Taji is expected to begin in September 2012.
- **Advanced Skill Training and Professional Military Education.** Advanced training is offered through the U.S.-based M1A1 and Artillery Advanced Gunner Courses, Artillery Leaders Course, Battle-Staff Training, Doctrine Development, Artillery and Armor School curriculum

development, Cadre and Instructor training, and institutional advise-and-train activities to IA institutions, including at the War College, the National Defense University, the Ethics Center, and the Lessons Learned Center.

## FY 2011 ISFF Spend Plan

The appropriation-to-expenditure cycle of the final tranche of the ISFF, provided in FY 2011, has been encumbered by a protracted appropriation process—stretching from the Administration's request in early 2010 through the final (reduced) appropriation in April 2011<sup>227</sup>—and by the transfer of fund responsibility from the U.S. Forces-Iraq (USF-I) to OSC-I while the appropriation process was still underway. As the size of the appropriation was reduced from the President's request during the budget process, new requirements were added, encouraging a GOI match for uses of FY 2011 ISFF.<sup>228</sup>

The appropriation-to-expenditure cycle of the final tranche of the ISFF has been encumbered by a protracted appropriation process and by the transfer of fund responsibility from USF-I to OSC-I.

Based on this quarter's ISFF obligations and GOI cost-share contributions, the exception to cost sharing appears to have become the rule.

OSC-I's plans to execute the delivery of equipment and services funded by the ISFF have been affected by the relatively short time period for assuming full authority over the funds, for establishing a relationship with GOI counterparts, and for obligating the remaining funds ahead of the September 30, 2012, expiration of authority.<sup>229</sup> While OSC-I has attempted to ramp up the obligation of the ISFF over the past three quarters, GOI contributions to projects have slowed, and over one-third of the reduced FY 2011 ISFF appropriation was unobligated as of June 30, 2012—three months before it expires.<sup>230</sup>

Through the first two quarters of FY 2012, less than 15% of FY 2011 ISFF was obligated, and 11% was expended. The pace of obligation and expenditure quickly picked up during the third quarter.<sup>231</sup>

### Coordination with GOI Officials

As required by the FY 2011 National Defense Authorization Act,<sup>232</sup> with the exception of items on the U.S. Munitions List (USML), ISFF funds “may not cover more than 80% of the item or service”; therefore, it was anticipated that the GOI and/or other sources would provide at least a 20% cost share. Additionally, the Secretary of Defense was to certify the GOI’s commitment to logistics, maintenance, and sustainment to show an institutional capacity to maintain and sustain U.S.-pur-

chased equipment, before any ISFF funding above \$1.0 billion was made available.<sup>233</sup>

Based on this quarter's ISFF obligations and GOI cost-share contributions, the exception to cost sharing appears to have become the rule as the marginal increase in GOI cost share (0.4%) is dwarfed by the increase in ISFF obligations and commitments (124%). This relative decline in the GOI cost share occurred as OSC-I noted improved U.S.-Iraqi coordination.<sup>234</sup> Although the OSC-I anticipates the availability of the set-aside for FY 2011 ISFF amounts above \$1.0 billion in its spend plan and “assesses that GOI has made a commitment to sustainment,”<sup>235</sup> the Secretary of Defense has yet to provide the Congress with the requisite certification. SIGIR has reported numerous times on the need to ensure that the GOI fully supports and plans to sustain U.S.-provided goods and projects, and on the failure of the GOI to do so.<sup>236</sup>

### Final FY 2011 ISFF Spend Plan

On June 11, 2012, OSC-I released a final spend plan for the FY 2011 ISFF,<sup>237</sup> incorporating significant changes from the February 2012 draft spend plan.<sup>238</sup> As Table 3.12 shows, the June spend plan more than doubles the proposed outlays for sustainment activities while reducing funding for training by almost 40% and equipment purchases by 9%. The reprioritization of the spend plan on sustainment activities underscores a long-standing oversight concern about the GOI’s lag in developing self-sustaining maintenance and logistics capabilities. As DoD noted in 2010, the lack of such capabilities presents “significant consequences with respect to ISF [Iraqi Security Forces] ability to provide for Iraq’s internal and external defense” that could “also result in the [GOI’s] inability to sustain the substantial investment made by the international community.”<sup>239</sup>

Consistent with prior spend plans, the projects in the final spend plan are meant to “sustain, equip and train the ISF in order to reach Minimum Essential Capability [MEC]”<sup>240</sup>—a long-standing goal of U.S. assistance that was originally intended to

**TABLE 3.12**  
**ISFF SPEND PLAN, BY SUB-ACTIVITY GROUP: % CHANGE FROM DRAFT PLAN (2/2012) TO FINAL PLAN (6/2012)**  
\$ Millions

	DRAFT PLAN	FINAL PLAN	% CHANGE
Sustainment	274.8	554.7	102%
Equipment and Transportation	533.6	485.7	-9%
Training	186.6	113.5	-39%
Related Activities	5.0	1.0	-80%
<b>Total</b>	<b>1,000.0</b>	<b>1,155.0</b>	<b>16%</b>

**Note:** Numbers affected by rounding

**Sources:** OSC-I, “Iraq Security Forces Fund (ISFF), FY 2011 Financial Activity Plan (Spend Plan) P.L. 112-10,” draft report, 2/2012, and “Iraq Security Forces Fund (ISFF), FY 2011 Financial Activity Plan (Spend Plan) P.L. 112-10,” 6/11/2012.

# U.S.-FUNDED PROGRAMS IN IRAQ

have been reached before the end of the USF-I mission last December.<sup>241</sup>

## FY 2011 ISFF Obligations and Commitments

During this quarter alone, \$424.2 million in FY 2011 ISFF funding was obligated and committed, or almost 37% of the available ISFF appropriation.<sup>242</sup> Of the fully available \$1.15 billion appropriation, \$766.2 million had been obligated and committed as of June 29, 2012. For the remaining unobligated and uncommitted FY 2011 ISFF, OSC-I plans 14 purchases, including aircraft logistics support, armored vehicles, a reconnaissance and surveillance system, and training.<sup>243</sup> Any funds not obligated or reprogrammed by September 30, 2012, will expire and will not be available for obligation to new projects.

The increased pace in obligations this quarter and the spend plan's anticipation of continuing obligations before the end of the fiscal year occurred as OSC-I leadership indicated a high level of engagement of the MOD in prospective ISFF cases. Letters of request from the GOI for possible ISFF-funded activities were said to have exceeded available funds.<sup>244</sup> Moreover, OSC-I told SIGIR that it anticipates "every penny" of the ISFF will be obligated by September 30, 2012.<sup>245</sup> OSC-I reported there is "low risk" that GOI approval and funding will not be completed before the September 30 deadline.<sup>246</sup> The timing of the delivery of cost-share letters of offer and acceptance to the GOI and expeditious GOI confirmation of such letters are key to fully obligating the FY 2011 ISFF.

The surge in ISFF obligations and expenditures this quarter did not involve activities with GOI cost-share commitments. With one exception, all of the most recent ISFF obligations were for USML cases, which are exempt from the requirement.<sup>247</sup> As Table 3.13 shows, the GOI's overall cost share decreased from almost 27% of combined program obligations and commitments, as of March 20, 2012, to 14% as of June 29, 2012. In the final quarter of FY 2012 (assuming the release

of amounts above \$1.0 billion), OSC-I estimates that the GOI will contribute a cost share of \$62.4 million on 8 of the final 14 ISFF purchases (14% of total outlays).<sup>248</sup>

The equipment and transportation sub-activity group saw the largest increases this quarter, rising from \$26.8 million obligated or committed as of March 20 to nearly \$408.5 million obligated or committed as of June 26—a 1,400% increase.<sup>249</sup> The largest case obligated this quarter was a \$168.88 million purchase of equipment for the Kurdistan Regional Guard Brigade, including radios, generators, support, major end-items assistance, vehicles, sustainment items, and other supplies.<sup>250</sup> Other obligations appear to fall outside of the February draft spend plan and apparently were executed to support an existing FMS case: \$19.0 million obligated for M1A1 tank munitions and \$1.02 million obligated for M1A1 training "support."<sup>251</sup> As Figure 3.9 shows, the sustainment and training sub-activity groups increased by substantially smaller margins this quarter.

GOI contributions to ISFF activities have been focused on sustainment, where 31% of obligations for activities have been borne by the Iraqis (see Figure 3.10). On the other hand, reflecting the cost-share exclusions for USML cases, the GOI has made no monetary commitments to the funding of ISFF equipment and transportation cases.<sup>252</sup>

Of the fully available \$1.15 billion appropriation, \$766.2 million had been obligated and committed as of June 29, 2012.

## Foreign Military Sales Program

According to information reported as of June 30, 2012, the FMS program in Iraq had processed 453 separate cases valued at \$11.96 billion since 2005—206 cases funded by the GOI for \$9.00 billion and

TABLE 3.13  
GOI COST SHARE FOR FY 2011 ISFF PROJECTS  
\$ Millions

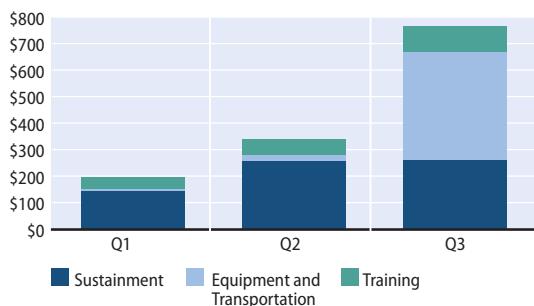
	AS OF 3/20/2012	AS OF 6/29/2012	CHANGE (%)
ISFF Obligations and Commitments	\$342.1	\$766.2	124%
GOI Share	\$124.7	\$125.2	<1%
GOI Share as % of Total	27%	14%	

Sources: OSC-I, information provided to SIGIR Audits, 3/2012 and 6/2012.

FIGURE 3.9

**FY 2011 ISFF OBLIGATIONS AND COMMITMENTS,  
BY SUB-ACTIVITY GROUP, 10/1/2011–6/26/2012**

\$ Millions



Note: Q1 covers data from 10/1/2011 to 12/31/2011; Q2 covers data from 1/1/2012 to 3/20/2012; Q3 covers data from 3/21/2012 to 6/26/2012.

Sources: OSD(C), responses to SIGIR data calls, 1/6/2012, 4/2/2012, and 7/2/2012.

247 cases funded by the U.S. government for \$2.96 billion (see Table 3.14).<sup>253</sup>

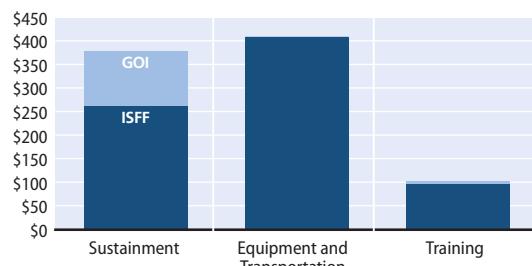
Cases for which letters of offer and acceptance were issued by the U.S. government this quarter included a variety of equipment and training purchases:<sup>254</sup>

- \$105.2 million for eight Rapid Avenger air-defense systems together with forward-deployed detection and command-and-control radar systems with associated equipment, training, and logistics support
- \$68.2 million for items in support of the M1A1 tank program, including six M1A1 tanks and eight M88A2 recovery vehicles
- \$33.8 million for .50 caliber M2, M3, and M85 heavy machine gun ammunition for IA operations and training
- \$18.5 million for the MOI to create an Iraqi Intelligence Sharing Initiative to provide the Iraqi

FIGURE 3.10

**GOI CONTRIBUTION TO FY 2011 ISFF ACTIVITIES,  
BY SUB-ACTIVITY GROUP, AS OF 6/26/2012**

\$ Thousands



Sources: OSC-I, information provided to SIGIR Audits, 3/2012 and 6/2012.

intelligence community with its first interagency intelligence analysis database

- \$6.0 million for M1A1 tank driver trainer instruction
- \$4.1 million to provide Offshore Support Vessel onboard training classes for two crews aboard the vessel before it leaves its manufacturer site in the United States

This quarter, the GOI submitted letters of request for several other potential cases, including two for non-invasive inspection equipment to provide the ability to scan for contraband. A \$200 million request for 130 cargo scanners and 70 mobile vehicle scanners is awaiting a U.S. letter of offer and acceptance. An additional \$35 million request is to purchase and refurbish 51 cargo-scanning “back-scatter” vans and repair and provide maintenance on 49 bacscatter vans the MOI currently owns.<sup>255</sup>

Two potential cases involving more sensitive equipment are in process, but are subject to U.S. government approval and GOI delays in identifying qualified participants for the training programs. A GOI request for short- and long-range weapon-locating radar is subject to congressional notification and is currently under review. With approval, the systems would be delivered to Iraq in mid-2014.<sup>256</sup> Cases to provide 10 unmanned aerial vehicles to the Iraqi Navy (with ancillary equipment and training) were initially expected to

A GOI request for short- and long-range weapon-locating radar is subject to congressional notification and is currently under review.

TABLE 3.14

**STATUS OF FMS CASES, AS OF 6/30/2012**

\$ Millions (% Quarterly Change)

	DELIVERED	COMMITTED
GOI-funded	\$1,491.3 (1%)	\$9,003.7 (14%)
U.S.-funded	\$987.7 (2%)	\$2,957.4 (16%)

Source: OSC-I, response to SIGIR data call, 7/3/2012.

# U.S.-FUNDED PROGRAMS IN IRAQ



The air-defense radar for the Rapid Avenger missile system automatically detects tracks, identifies, classifies, and reports airborne threats. (Thales/Raytheon photo)



Eight units of the lightweight, short-range Rapid Avenger air-defense system will be funded by the ISFF and delivered through the FMS program. (U.S. Army photo)

have operational capability in early 2013. According to OSC-I, the GOI has been unable to provide qualified English speakers, which suggests that the marine drone program will be further delayed.<sup>257</sup>

OSC-I reported that the current delay in processing FMS cases is a significant concern for the GOI. While U.S. state-of-the-art equipment is attractive to the ISF, there is a concern that the FMS process is neither timely nor user-friendly when compared to that of a direct commercial sale. Payment terms are frequently disadvantageous to the GOI. For example, a requirement that the full value of the FMS sale is due at contract signing can tie up GOI funds for extended periods.<sup>258</sup> The concern is shared among FMS contractors, who note that even for simple, single-item cases, the time from order to delivery and training may stretch as long as three years. Delivery of complex cases (such as the F-16 fighter case, including separate weapons,

avionics, and communication systems) are seen as being significantly more challenging.<sup>259</sup>

Some contractors have expressed concern about the capacity of both the U.S. government and GOI infrastructure to manage the large pipeline of FMS cases. In addition to the long period between order and delivery, the relatively small number of facilities operated by OSC-I leads to equipment and training being ultimately delivered directly by contractors to the ISF in the “Red Zone.”<sup>260</sup> As both the staff and equipment associated with FMS cases grow larger, plans are already underway to require contractors to operate independent of OSC-I sites by the end of 2014. New FMS contracts currently in negotiation require bidding companies to factor in the costs of providing all life support, security, and logistics needs for their Iraq-based personnel.<sup>261</sup>

Another U.S. government capacity constraint is driven by the low tempo of military flights into Iraq, reportedly resulting in exposed stockpiles of equipment on the tarmac in Kuwait. According to U.S. contractors working there, no commercial alternative to delivery by U.S. transportation exists because no ports or warehouses in Iraq have a base level of security, and Iraqi processes do not yet support the staging of bonded goods, which impedes a range of logistics management processes.<sup>262</sup> With the development of secure port facilities at Umm Qasr estimated to be one to two years

**There is a concern that the FMS process is neither timely nor user-friendly when compared to that of a direct commercial sale.**

## FMS Request—Offer and Accept Letters

**Letter of Request**—A formal written communication from a recognized official governmental representative requesting defense articles, military construction, and/or services from the U.S. government. A letter of request may also request rough pricing data if the foreign government is not ready to review a more formal offer from the U.S. government.

**Letter of Offer and Acceptance**—The government-to-government agreement that identifies the defense articles and services that the U.S. government proposes to sell a foreign government to meet the requirements identified in a letter of request. The letter of acceptance spells out all of the terms and conditions that will apply.

Source: DCSA, *Security Assistance Management Manual*, Customer Guide, updated 9/28/2006.

OSC-I's forecast for FMF expenditures would provide funding for activities that were previously subsidized by the ISFF and that support existing FMS cases.

out,<sup>263</sup> the near-term prospects for freight forwarders and bonded warehouses in Iraq do not appear to be a viable alternative.

### Foreign Military Financing Program

This quarter, OSC-I began planning future purchases under the Foreign Military Financing program. Acting as the Defense Security Cooperation Agency's agent in Iraq, OSC-I is charged with administering FMF grants and loans to help Iraq purchase U.S.-produced weapons, defense equipment, defense services, and military training. FMF purchases may be administered through the FMS program or through direct commercial sales. FY 2012 funds available for the FMF for Iraq total \$850 million, and the Administration has requested \$911 million for Iraq in FY 2013.<sup>264</sup>

According to DoS, the Iraq FMF program is intended to "support the continued development of the Iraqi military until the Iraqis become self-sufficient, which is critical to Iraq's full assumption of security responsibilities" and "will be focused on closing gaps in the ISF's minimum essential capabilities, supporting the development of enduring logistics capabilities and institutions to sustain U.S. and Iraqi post-war investments, and strengthening the United States' long-term strategic partnership with Iraq."<sup>265</sup> DoS states that "the core objectives of the program include helping the ISF to ... defend itself against internal and external threats, and building associated enduring sustainment capabilities. ... Additionally, FMF may be used to promote

the development of Iraqi logistics and maintenance structures, and to support sustainment and training that will ensure a modernized and professional Iraqi military interoperable with U.S. forces."<sup>266</sup>

OSC-I's forecast for FMF expenditures—based on current letters of request and letters of offer and acceptance for FMS cases—would provide funding for activities that were previously subsidized by the ISFF and that support existing FMS cases. As of June 29, 2012, OSC-I had identified 36 cases to be funded by \$1.65 billion of the FMF, of which \$615.4 million (37%) is anticipated to be provided by the GOI.<sup>267</sup> Table 3.15 provides a breakdown of the FMF spend plan, by GOI service.

The top 10 cases in the forecasted FMF spend plan have a combined value of \$1.08 billion, 65% of the \$1.65 billion total FMF requirement currently anticipated. These cases fund sustainment (57%) and equipment (43%) purchases:<sup>268</sup>

- **Sustainment**—\$611 million for sustainment activities, including heavy-vehicle sustainment (3 years), tank sustainment (3 years), T-6 airplane sustainment (3 years), C-130J airplane sustainment, training, and support (3 years); C-130E airplane sustainment, with logistics training and support (3 years)
- **Equipment**—\$464 million for purchases of M1A1 tank simulators, T-6 airplanes and simulators, C-12 airplanes and simulators, Navy C4ISR equipment and training, marine mine countermeasures detection

As of June 30, 2012, none of the \$850.0 million in FMF program funding for FY 2012 had been made available to OSC-I.<sup>269</sup>

TABLE 3.15  
FMF SPEND PLAN: CASES BY GOI SERVICE, AS OF 6/29/2012  
\$ Millions

GOI SERVICE	CASES	FMF AMOUNT	GOI COST SHARE	TOTAL REQUIREMENT
Air Force	18	\$517.7	\$259.2	\$776.9
Army	8	\$406.2	\$255.8	\$662.0
Army Aviation	5	\$37.5	\$42.0	\$79.5
Navy	5	\$71.5	\$58.5	\$129.9
<b>FMF Spend Plan Total</b>	<b>36</b>	<b>\$1,032.9</b>	<b>\$615.4</b>	<b>\$1,648.3</b>

Source: OSC-I, response to SIGIR data call, 7/3/2012.

### U.S. Army Corps of Engineers

USACE manages construction projects for both OSC-I and ISPO. U.S. funding for the ongoing OSC-I projects comes from the ISFF and from the Operations and Maintenance, Army (OMA) account. However, the majority of USACE's work for OSC-I—as well as half of all its work in Iraq—is

# U.S.-FUNDED PROGRAMS IN IRAQ

now on GOI-funded FMS projects. All of USACE's ongoing ISPO projects are funded by the ESF.<sup>270</sup>

USACE reported that it completed one project this quarter, was managing 33 ongoing projects at the end of the quarter, and had an additional 14 in the pre-award stage.<sup>271</sup>

As of June 30, 2012, USACE's Iraq Area Office was staffed by 10 U.S. government employees—9 in Baghdad and 1 in Tikrit—down from about 45 at the same time last year. The Taji project office closed in May. In addition, 39 Iraqis provided on-site monitoring, quality assurance, and related services under USACE's construction management support contract with Versar. These local citizens are able to visit project sites without U.S. security escorts, and they do most of the field monitoring. Although USACE civilian personnel are still able to make on-site inspections, such visits are less frequent than in the past. USACE reported that its government personnel visited 11 project sites this quarter, several multiple times, for a total of 34 visits.<sup>272</sup>

## Completed and Ongoing Projects

The one project completed this quarter was a \$22.3 million ISFF-funded electricity generation and distribution project at Camp Taji. The work included repair and expansion of power plants, construction of a substation, and completion of components of the distribution system. The contract was awarded in September 2009, and work was originally scheduled for completion in October 2010.<sup>273</sup>

The 33 projects ongoing at the end of the quarter were collectively valued at \$330 million, and \$193 million of this total had not yet been expended. In terms of contract value, 50% of the funding for ongoing projects was provided by the GOI for FMS projects, and 33% of the funding came from the ESF and the ISFF (including ISFF funding for one FMS project cost-shared with the GOI). The OMA-funded project accounted for the remaining 17%. Because most of the contract value of the ESF and ISFF projects had been expended, those

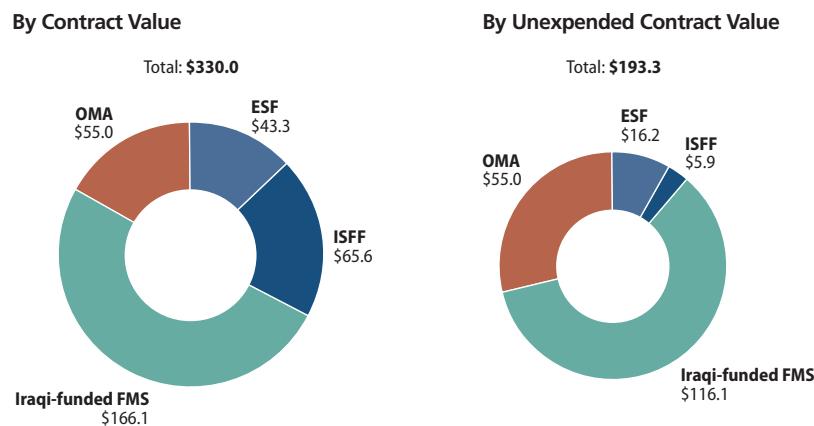
projects represented less than 12% of the unexpended contract value of ongoing work at the end of the quarter. Figure 3.11 shows the breakdown of ongoing projects by funding source.<sup>274</sup>

In all, 17 projects supported by U.S. funds were underway at the end of the quarter—3 ISFF projects valued at \$56.4 million, 1 cost-shared FMS project funded with \$9.2 million from the ISFF, 12 ESF projects valued at \$43.3 million, and 1 OMA-funded project expected to cost \$55.0 million. The OMA project, USACE's largest ongoing effort in Iraq as of June 30, is for the installation of protective overhead covers at Besmaya and the former Camp Speicher in Tikrit. Perini Management Services was awarded the contract in February, and work is scheduled to be completed by October 2013.<sup>275</sup>

The second-largest ongoing project continued to be the \$48.0 million ISFF-funded Federal Police Sustainment Brigade complex in Baghdad. Last quarter, USACE reported that it expected this project to be completed in April, but this quarter reported that the completion date had been moved to the end of August 2012, almost two years later than

Although USACE civilian personnel are still able to make on-site inspections, such visits are less frequent than in the past.

FIGURE 3.11  
FUNDING SOURCES FOR ONGOING USACE PROJECTS, AS OF 6/30/2012  
\$ Millions



Note: Data not audited. Numbers affected by rounding. ISFF includes the U.S. portion of one cost-shared FMS project.

Source: USACE, response to SIGIR data call, 7/5/2012.



The ISFF-funded Federal Police Sustainment Brigade complex in Baghdad is now scheduled for completion in August 2012. (USACE photo)

**14 projects in the pre-award stage are together expected to cost about \$328 million.**

the originally scheduled date.<sup>276</sup> USACE reported that 16 of its ongoing projects, collectively valued at \$156.9 million, were funded completely by the GOI through the FMS program. Half the cost of an additional FMS project—the \$18.4 million project to plan and build a facility for the GOI's Directorate of Counter-Terrorism—is also being paid for with

GOI funds, which brings the GOI funding total to \$166.1 million. The contract for this cost-shared project was awarded in September 2009, and work was to be completed in January 2011. USACE now expects the project to be completed in June 2013. According to USACE, the work is 56% complete, and the contractor has already been paid almost \$10.4 million.<sup>277</sup>

### Upcoming Projects

USACE reported that the 14 projects in the pre-award stage are together expected to cost about \$328 million. Two FMS projects—a \$225 million project to provide infrastructure for the F-16 aircraft being purchased by the GOI, and a \$73.5 million project to build a new headquarters complex for the Iraqi Navy at al-Zubair—constitute more than 90% of the estimated value of these projects. Ten of the projects in the pre-award stage are non-FMS projects that will be paid for with U.S. funds, but they represent just 5% of the total anticipated contract value.<sup>278</sup>◆

## CONTRACTING

### U.S.-funded Contractors and Grantees in Iraq

While contractors and grantees have played, and continue to play, a major role in U.S. relief and reconstruction activities in Iraq, determining just how many contractor personnel are working in Iraq has been a challenge.

The Synchronized Predeployment and Operational Tracker (SPOT) database, administered by DoD, was developed to provide a central source of information on contractor personnel working to support contingency operations. Contractor companies are required to enter employee information into SPOT, and government representatives use SPOT for oversight of the contractor personnel

Determining just how many contractor personnel are working in Iraq has been a challenge.

TABLE 3.16

CONTRACTOR AND GRANTEE PERSONNEL IN IRAQ, BY AGENCY AND NATIONAL ORIGIN, AS OF 7/2/2012

AGENCY	THIRD-COUNTRY NATIONAL	U.S. CITIZEN	IRAQI NATIONAL	TOTAL	QUARTERLY CHANGE
Department of Defense	Department of the Army (Army)	4,502	2,047	1,750	8,299
	U.S. Transportation Command (USTRANSCOM)	41	1	124	-368 (-69%)
	Army and Air Force Exchange Service (AAFES)	57	7	45	-44 (-29%)
	Department of the Air Force (Air Force)	2	106	108	-84 (-44%)
	Defense Contract Management Agency (DCMA)	4	72	76	-74 (-49%)
	Defense Information Systems Agency (DISA)	1	54	55	1 (2%)
	CENTCOM Contracting Command (C3)	25	13	38	-1,017 (-96%)
	Department of the Navy (Navy)	1	15	16	-6 (-27%)
	Defense Logistics Agency (DLA)	4	11	15	-45 (-75%)
	Defense Contract Agency (DCA)		2	2	
	Department of Defense (DoD)		1	1	-31 (-97%)
	Space and Missile Defense Command (SMDC)		1	1	
	Defense Microelectronics Activity (DMEA)		1	1	
	U.S. Special Operations Command (USSOCOM)				-17 (-100%)
Other	Missile Defense Agency (MDA)				-5 (-100%)
	Defense Intelligence Agency (DIA)				-4 (-100%)
	<b>Subtotal</b>	<b>4,637</b>	<b>2,331</b>	<b>1,919</b>	<b>8,887</b>
	Department of State (DoS)	1,201	2,206	58	3,465
	U.S. Agency for International Development (USAID)	58	48	1	107
	General Services Administration (GSA)		18		18
	Department of Justice (DoJ)				-19 (-100%)
	<b>Subtotal</b>	<b>1,259</b>	<b>2,272</b>	<b>59</b>	<b>3,590</b>
<b>Total</b>	<b>5,896</b>	<b>4,603</b>	<b>1,978</b>	<b>12,477</b>	<b>-4,496 (-26%)</b>

Note: Data not audited. Numbers affected by rounding.

Sources: DoD, OUSD(AT&L), SPOT Program Support, responses to SIGIR data calls, 4/5/2012 and 7/2/2012.

they deploy. According to the SPOT database, 12,477 employees of U.S.-funded contractors and grantees supported DoD, DoS, USAID, and other U.S. agencies in Iraq as of July 2, 2012. This represents a 26% decrease from the 16,973 registered as of April 1, 2012.<sup>279</sup> For a summary of contractor personnel data according to SPOT, by both agency and national origin, see Table 3.16.

This quarter, in what it stated was a change from its past practice for reporting data on contractors, U.S. Embassy-Baghdad also provided SIGIR with SPOT data. In its most recent report, the Embassy said that 13,772 contractor personnel were under Chief of Mission authority as of June 30, 2012—a difference of 1,295 from the SPOT data obtained by SIGIR. The difference between the reported numbers could, at least in part, be explained by the data having been accessed on different dates. Of the 13,772 contractor personnel reported by the Embassy, 5,737 were private security contractors.<sup>280</sup>

There continue to be other differences between SPOT data and agency-reported contractor personnel numbers. For example, the data provided this quarter by USAID again differed significantly from the data SIGIR obtained from SPOT. As detailed in the USAID subsection of the Report, USAID reported that it had 62 contractor personnel in its Iraq office helping to oversee the agency's programs as of June 30, plus another 1,815 contractor personnel working for its implementing partners—for a total of 1,877. But the SPOT database showed just 107 USAID contractors working in Iraq as of July 2. USAID explained that its numbers take into consideration all nationalities working directly under its programs, including U.S. nationals, third-country nationals, and Iraqi nationals, while SPOT only accounts for U.S. nationals and third-country nationals. However, SPOT data obtained by SIGIR indi-

cates that at least some Iraqi nationals are included in the total number of contractor personnel.<sup>281</sup>

## Most Active Contractors

Reflecting the evolving scale and priorities of the U.S. reconstruction program, the size and scope of U.S. reconstruction contracts have changed markedly over the years. When ranked by total unexpended obligations—basically, the unpaid value of contracted work—the list of top contractors in July 2006 comprised primarily engineering and construction companies working on large, IRRF-funded infrastructure projects. Bechtel was the largest contractor at that time, with \$279 million in unexpended obligations, and a Washington Group International/Black & Veatch Joint Venture was the tenth largest, accounting for \$63 million in unexpended obligations.<sup>282</sup>

In July 2012, however, the contracts are more in line with strengthening Iraq's economy and key institutions, and the size of the contracts are much smaller. In terms of unexpended obligations, Louis Berger Group (LBG), the implementing partner for USAID's *Tijara* (Provincial Economic Growth) and *Inma* (agribusiness) programs, was the largest reconstruction contractor at the beginning of July 2012. LBG accounted for \$68 million in total unexpended obligations, while the tenth-largest contractor, The QED Group (Manpower), accounted for only \$14 million in unexpended obligations. Perini Corporation, the only engineering and construction firm on the 2012 list, was fourth, with \$55 million in unexpended obligations.<sup>283</sup>

For a comparison of the ten largest contractors in July 2006 and July 2012, see Table 3.17.♦

The data provided this quarter by USAID again differed significantly from the data SIGIR obtained from SPOT.

# U.S.-FUNDED PROGRAMS IN IRAQ

TABLE 3.17

## TOP RECONSTRUCTION CONTRACTORS, BY UNEXPENDED OBLIGATIONS, 7/2006 VS. 7/2012

\$ Millions

CONTRACTOR	JULY 2006	CONTRACTOR	JULY 2012
	UNEXPENDED OBLIGATIONS		UNEXPENDED OBLIGATIONS
Bechtel	278.6	Louis Berger Group	67.7
Kellogg, Brown & Root Services, Inc.	243.1	University Research Co., LLC	64.0
Parsons Iraq Joint Venture	216.1	Management Systems International	62.3
Parsons Global Services, Inc.	199.6	Perini Corporation	55.0
Fluor/AMEC, LLC	181.4	Chemonics International, Inc.	50.7
Washington Group International	100.6	Raytheon Technical Services Company	37.9
Symbion Power, LLC	79.1	AECOM International Development	32.0
Siemens	78.6	Consortium for Elections and Political Process Strengthening	20.5
Research Triangle Institute	69.2	DPK Consulting (ARD)	15.7
Washington Group International/Black & Veatch	63.2	The QED Group (MANPOWER)	13.8

Sources: CEFMS, *Non-Construction Detail*, 6/30/2006, and *Construction Detail*, 6/30/2006; USAID, *Activities Report*, 7/10/2006, and responses to SIGIR data call, 7/3/2012 and 7/9/2012; CENTCOM, responses to SIGIR data call, 7/2/2012 and 7/5/2012; NEA-I, response to SIGIR data call, 6/28/2012; INL, response to SIGIR data call, 1/5/2012; USACE, response to SIGIR data call, 7/5/2012.

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SECTION

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4

## GOVERNANCE

Iraq continues to grapple with the legacy of the March 2010 parliamentary elections, which left Prime Minister Nuri al-Maliki in office for a second term atop a fractious coalition government. The latest round of political turmoil that began last December when the Government of Iraq (GOI) issued an arrest warrant for Vice President Tariq al-Hashimi entered a new phase, as Prime Minister al-Maliki's rivals sought to secure enough support in the Council of Representatives (CoR) to remove him from office. Although their efforts appear, for the moment, to have foundered, the major political factions remain at odds, potentially placing Iraq's political stability at risk as the country prepares for provincial elections in 2013 and CoR elections scheduled for 2014. For a discussion of this quarter's major political events, see Section 1 of this Report.

### Council of Ministers

Notwithstanding the distraction of recent events, the Council of Ministers (CoM) met regularly throughout the quarter, taking action on several key issues.<sup>284</sup>

- approving the provision of technical assistance to Libya on issues pertaining to the removal of chemical-weapon stockpiles
- raising border guards' salaries by 25%–40%
- approving a program to provide free fuel to operators of off-grid generators during the four-month period from June 1 through September 30, 2012
- authorizing the Ministry of Oil to sign a five-year memorandum of understanding (MOU) with Jordan that would promote enhanced co-operation between the two countries on energy and other issues

- forming a committee to give effect to the provisions of Article 105 of the Iraqi Constitution, which provides for the equitable representation of regions and provincial governments in the management of GOI institutions

As part of Prime Minister al-Maliki's campaign to gather political support in various regions of the country, the CoM also held several meetings outside of Baghdad this quarter, convening in Basrah, Kirkuk, Mosul, and Nassiriya. In Kirkuk and Mosul, the Prime Minister made statements that appealed to nationalist Sunnis opposed to encroachments by the Kurdistan Regional Government (KRG), while in Basrah and Nassiriya, he sought the support of local Shia constituencies.<sup>285</sup>

As part of Prime Minister al-Maliki's campaign to gather political support in various regions of the country, the CoM held several meetings outside of Baghdad this quarter, convening in Basrah, Kirkuk, Mosul, and Nassiriya.

### Postponement of Kurdish Provincial Elections

In early June, Iraq's Independent High Electoral Commission (IHEC) announced that the KRG had indefinitely postponed the provincial elections for Erbil, Dahuk, and Sulyamaniyah provinces that had been scheduled for September 27, 2012. According to the IHEC, the KRG delayed the elections because of a provision in the Region's electoral laws that allowed Christians to vote only for Christian candidates. The IHEC chairman stated that the KRG will reschedule provincial elections once the law has been altered to allow Christians to vote for any candidate on the ballot. The Kurdistan Region—along with Tameem province, home to the disputed city of Kirkuk—did not conduct provincial elections in January 2009, when Iraq's other 14 provinces elected governments.<sup>286</sup>

## Iraqi Budget Execution

While the GOI has consistently executed its operational budget at 80%–90%, capital budget execution rates have generally been lower.

The economic health of Iraq and the quality of life of its citizens are inextricably intertwined with its public finances. A June 2011 United Nations Development Programme (UNDP) report estimates that Iraq's total public expenditures in recent years have exceeded 90% of its GDP.<sup>287</sup> For 2009 and 2010, the GOI allocated about three-fourths of its annual budgets for operational expenditures (primarily salaries, pensions, and office expenses), with the remainder allocated for capital expenditures.<sup>288</sup>

While the GOI has consistently executed its operational budget at 80%–90%,<sup>289</sup> capital budget execution rates have generally been lower, with some ministries reportedly failing to execute even half their annual capital budgets.<sup>290</sup>

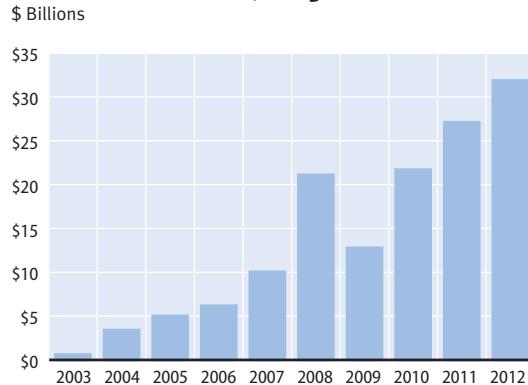
### Capital Budget Execution Rates

As Figure 4.1 demonstrates, the GOI's annual capital budget has increased dramatically since 2003. For 2012, the GOI capital budget is nearly \$31.9 billion—up from \$27.1 billion in 2011 and \$21.7 billion in 2010.<sup>291</sup> Although the reported numbers vary, recent reports suggest that capital budget execution is low in several key ministries.<sup>292</sup>

According to Ministry of Finance (MOF) data obtained by the World Bank, the GOI's overall capital budget execution rate in 2008 was 75%. In 2009, it increased to 83% before falling to 78% in 2010.<sup>293</sup> The Office of the Treasury Attaché also reviewed MOF budget data and concluded that the execution rates in all three of these years were lower: 35% in 2008, 57% in 2009, and 69% in 2010.<sup>294</sup>

In a separate report, as shown in Table 4.1, Iraq's Ministry of Planning and Development Cooperation (MoPDC) calculated that the overall rate for 2009 was 86%. Of the 25 ministries listed in the MoPDC report, at least 5 had capital budget execution rates of less than 50%, including Justice (17%), Finance (17%), Commerce (18%), Environment (31%), and Communications (46%) (complete data for the Ministry of Agriculture was unavailable). Conversely, the Ministries of Oil, Municipalities

**FIGURE 4.1**  
**GOI CAPITAL BUDGETS, 2003–2012**



Note: Data not audited.

Sources: GOI, CoM, "Council of Ministers Approved Draft Law of the GOI Federal Budget for 2012 Financial Year," 1/9/2012, Schedule C; GOI, MoPDC, "Indicators of the Investment Budget for Year 2010," Table 17, 2011, [www.mop.gov.iq/mop/resources/pdf/About%20MOP/Economical%20Report/Report%203.doc](http://www.mop.gov.iq/mop/resources/pdf/About%20MOP/Economical%20Report/Report%203.doc), accessed 7/1/2012; U.S. Treasury, responses to SIGIR data calls, 1/4/2009 and 4/9/2009; "GOI Budget" (as approved by TNA and written into law December 2005); GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, Presidency of the Iraqi Interim National Assembly, "The State General Budget for 2005," 2005; GOI, "Budget Revenues and Expenses 2003, July–December," 2003.

and Public Works, Youth and Sports, Foreign Affairs, and Defense executed their entire capital budgets in 2009.<sup>295</sup>

For 2010, the MoPDC reported that the GOI capital budget execution rate fell from 86% to 76%, a figure slightly lower than the MOF estimate of 78% reported by the World Bank. According to the MoPDC, 13 of 26 ministries had capital budget execution rates below 50% in 2010, including Agriculture (6%), Finance (14%), Justice (18%), Health (20%), and Education (24%). Capital budget execution was also deficient in the security ministries, with the Ministry of Defense spending 68% of its capital budget and the Ministry of Interior spending 54% of its capital budget. Ministries executing all or nearly all of their capital budgets in 2010 included Foreign Affairs (103%), Electricity (94%), Municipalities and Public Works (86%), and Oil (85%).<sup>296</sup>

Although official budget-execution data for 2011 was unavailable as of July 1, some CoR members have asserted that some ministries' execution rates are lagging. Among them, Sheik Sabah al-Saadi, a

# DEVELOPMENTS IN IRAQ

TABLE 4.1  
IRAQI CAPITAL BUDGET EXECUTION RATES, 2009 AND 2010  
\$ Millions

	2009			2010		
	BUDGETED	EXECUTED	RATE	BUDGETED	EXECUTED	RATE
<b>Republic Presidency</b>	—	—	—	2.6	0.1	5%
<b>Council of Representatives</b>	4.5	0.8	18%	6.4	1.4	21%
<b>Council of Ministries</b>	208.6	81.2	39%	510.7	331.1	65%
<b>Ministries</b>						
Oil	2,225.3	2,218.1	100%	2,652.6	2,260.5	85%
Electricity	1,175.5	1,091.4	93%	3,638.0	3,416.6	94%
Municipalities & Public Works	521.8	521.8	100%	1,495.3	1,286.1	86%
Water Resources	589.1	495.4	84%	979.2	630.9	64%
Housing & Construction	469.5	464.2	99%	651.7	491.5	75%
Health	454.3	417.2	92%	920.5	185.1	20%
Youth and Sports	167.3	167.3	100%	470.1	348.2	74%
Industry & Minerals	508.5	475.7	94%	787.2	765.0	97%
Education	181.6	145.8	80%	231.6	56.0	24%
Foreign Affairs	100.4	100.4	100%	178.4	184.4	103%
Communications	217.9	100.6	46%	336.8	86.1	26%
Higher Education & Scientific Research	238.2	178.0	75%	350.1	139.0	40%
Transportation	326.9	194.2	59%	459.1	229.1	50%
Agricultural Initiatives	155.5	52.7	34%	179.0	83.0	46%
Agriculture	209.2	—	—	246.2	15.6	6%
Defense	71.7	71.7	100%	179.9	123.1	68%
Interior	159.0	144.5	91%	162.4	87.9	54%
Culture	21.8	8.5	39%	34.6	17.6	51%
Finance	7.7	1.3	17%	36.9	5.1	14%
Planning and Development Cooperation	43.6	30.3	70%	56.7	21.8	38%
Science and Technology	19.8	11.6	58%	31.7	13.3	42%
Commerce	47.0	8.6	18%	78.2	20.9	27%
Labor & Social Affairs	15.1	10.9	72%	21.1	10.7	51%
Justice	10.9	1.9	18%	13.7	2.5	18%
Environment	8.1	2.5	31%	17.7	5.5	31%
Human Rights	3.6	2.7	74%	6.1	2.1	34%
<b>Subtotal</b>	<b>7,949.3</b>	<b>6,917.2</b>	<b>87%</b>	<b>14,214.7</b>	<b>10,487.6</b>	<b>74%</b>
<b>Independent Offices</b>	<b>47.2</b>	<b>13.5</b>	<b>28%</b>	<b>44.6</b>	<b>24.9</b>	<b>56%</b>
<b>Regional, Provincial, and Local Development</b>	<b>4,569.2</b>	<b>4,036.7</b>	<b>88%</b>	<b>6,933.2</b>	<b>5,610.8</b>	<b>81%</b>
<b>Total</b>	<b>12,778.9</b>	<b>11,049.4</b>	<b>86%</b>	<b>21,712.2</b>	<b>16,456.0</b>	<b>76%</b>

Note: Numbers affected by rounding.

Source: GOI, MoPDC, "Indicators of the Investment Budget for Year 2010," Table 17, 2011, [www.mop.gov.iq/mop/pdf/About%20MOP/Economical%20Rebort/Report%203.doc](http://www.mop.gov.iq/mop/pdf/About%20MOP/Economical%20Rebort/Report%203.doc), accessed 7/11/2012.

CoR member from southern Iraq and volatile critic of Prime Minister al-Maliki, has joined with other members to call for the questioning before the CoR of those ministers responsible for inadequate budget execution.<sup>297</sup>

### Practical Effects

Some ministries' failure to execute the full amount of their capital budgets in a timely fashion has had a deleterious effect on Iraqi reconstruction, with infrastructure projects remaining incomplete years after contracts were signed by the parties and announced with much fanfare to the public. For example, in late 2008, the Ministry of Electricity (MOE) signed a "Mega Deal" with General Electric to buy 56 turbines for power plants, with a combined generating capacity of 7,000 megawatts (MW), but not one of those planned plants had been completed as of mid-July 2012. Even with the MOE importing about 16% of its electricity from Iran, the MOE reported that Iraqis residing outside the Kurdistan Region received only about 10 hours of power per day from the national grid this quarter.<sup>298</sup>

### Probable Causes

**Slow execution rates can be attributed to several factors, including a sclerotic bureaucracy, inadequate contracting and project-management capacities, and public corruption.**

According to GOI and U.S. government officials, slow execution rates can be attributed to several factors, including a sclerotic bureaucracy, inadequate contracting and project-management capacities, and public corruption.

The reluctance of certain mid-level Iraqi bureaucrats to take action on high-value contracts may be influenced by both societal and bureaucratic factors. Many GOI officials matured under an authoritarian system, where initiative was discouraged and mistakes had dire consequences.<sup>299</sup> The GOI also lacks a full complement of contracting specialists, as the Deputy Governor of the Central Bank of Iraq (CBI) noted in a recent meeting with SIGIR.<sup>300</sup> In addition, according to the Deputy Governor, certain complex agreements take "a very long time" to draft and finalize because several levels of approval are required for a contract to be executed.<sup>301</sup>

Another factor affecting capital budget execution is the fear of some GOI officials that their political opponents will use any actions they take as an excuse to file a complaint against them with their ministry's inspector general (IG) or the Commission of Integrity (COI)—entities established by the Coalition Provisional Authority in 2004.<sup>302</sup> According to the Ministry of Industry and Minerals IG, employees in several ministries, which he did not name, allow urgent matters to lie unattended out of a fear that the IG will launch an investigation into their activities.<sup>303</sup> This fear may be grounded, at least in part, in their knowledge that under the Iraqi Penal Code many forms of administrative misconduct are punishable as criminal offenses.<sup>304</sup>

Moreover, when IG or COI investigations do occur, they tend to be time-consuming and can cause significant delays in ministry actions. The COI (an independent agency) and ministry IG offices (nominally independent oversight offices) have wide-ranging legal authorities to request documents and question officials suspected of corruption. But, hampered by inexperienced staffs and political interference, COI and IG investigations are often drawn-out and labor-intensive processes.<sup>305</sup>

Finally, according to current and former COI and IG officials, the apparent contradiction between large capital budgets and persistently inferior public services—such as schools, hospitals, and sewer systems—suggests that some capital funds may be siphoned off by corrupt officials.<sup>306</sup> Although it is impossible to determine the extent of any such malfeasance, one CoR member told SIGIR in June that corruption was one factor slowing capital budget execution.<sup>307</sup> The same member noted that corrupt officials have become experts at hiding funds skimmed from ministry budgets, adding that the problem has grown so severe that "sometimes...a good old-fashioned Saddam-like execution would not be a bad thing because it is the only thing that might shock [corrupt] people to their senses."<sup>308</sup> The Deputy Governor of the CBI agreed, commenting that public corruption was an

# DEVELOPMENTS IN IRAQ

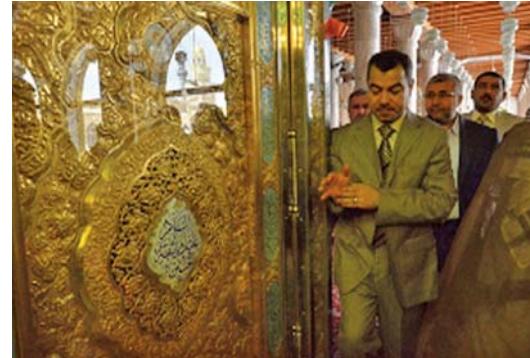
impediment to certain ministries efficiently spending their capital budgets.<sup>309</sup>

## Efforts To Effect Change

Cognizant of both the practical and political effects of unfinished projects, some ministers have begun traveling to project locations and publicly calling for more expeditious budget execution. For example, the Minister of Planning and Development Cooperation recently traveled to Babylon, Najaf, and several other provinces.<sup>310</sup> In Najaf, he inspected several religious-tourism and infrastructure projects, describing their progress as “lagging” and promising the ministry would reprioritize their completion.<sup>311</sup> The Minister of Electricity also toured unfinished power plants throughout Iraq earlier this year, calling for their prompt completion.<sup>312</sup> Their efforts appear to be showing some early results. For example, the MOE signed a contract with the South Korean firm STX in September 2011 to add 900 MW to the national grid. The project was completed this quarter—just in time for the high-demand summer months.<sup>313</sup>

In a meeting of the Ministerial Committee of Reconstruction and Public Services in late June, Prime Minister al-Maliki praised the inspection tours recently taken by some ministers and called for enhanced interministerial cooperation on reconstruction projects, noting the urgent need for improved public services. He also stressed the need for ministers to actively monitor the degree to which projects are actually implemented and investigate instances where delays occur.<sup>314</sup>

In another effort to bring about change, the World Bank is implementing a \$16 million, four-year program (2009–2013) to assist GOI ministries in executing their budgets and developing more accountable and effective public financial-management systems. One goal of the program is to increase the capital budget execution rate by at least 10 percentage points (presumably from the 2008 rate of 75%). According to an April 2012 update on the program, however, only about 11% of project funds have been disbursed to the GOI because of



Minister of Planning on an inspection trip to a shrine in Najaf, 2012. (GOI photo)

what the World Bank describes as “implementation bottlenecks.” These impediments contributed to the World Bank’s assessment of the program to date being “moderately unsatisfactory.”<sup>315</sup>

## Public Services

In April, the MoPDC released the detailed results of the nationwide 2011 Iraq Knowledge Network survey. The survey of 28,875 Iraqi households during the first quarter of 2011 found that many Iraqis had difficulty accessing basic public services. Table 4.2 shows how respondents in each of Iraq’s 18 provinces prioritized the need to improve the availability and quality of various public services.<sup>316</sup>

### Electricity

Based on incomplete data, SIGIR estimates that the total supply of electricity on the national grid controlled by the GOI’s Ministry of Electricity averaged about 6,200 megawatts (MW) this quarter. In addition to output from the MOE’s power plants, this total includes electricity imported from Iran and purchased from the privately owned “powerships” in Basrah, but it excludes electricity produced in the Kurdistan Region. In the last three months of 2011, the power transmission and distribution network operated by the KRG represented almost one-fourth of Iraq’s total supply. However, the KRG’s grid is

Prime Minister al-Maliki praised the inspection tours recently taken by some ministers and called for enhanced interministerial cooperation on reconstruction projects.

TABLE 4.2  
DISTRIBUTION OF HOUSEHOLDS RATING VARIOUS SERVICES AS FIRST PRIORITY  
% of Respondents

PROGRAM	HEALTH CARE SYSTEM	EDUCATION	WATER	ELECTRICITY	SECURITY	JUSTICE	OTHER
Anbar	11.0	1.9	2.8	23.5	51.0	7.7	2.2
Babylon	11.0	13.1	15.1	36.2	18.0	2.6	4.0
Baghdad	3.3	4.7	3.0	31.6	47.3	3.6	6.5
Basrah	7.9	4.1	13.2	52.2	12.4	1.0	8.8
Dahuk	19.0	17.7	8.3	33.1	4.0	8.4	9.5
Diyala	4.8	18.6	22.3	11.4	31.7	7.9	2.4
Erbil	23.6	14.3	11.3	27.6	9.4	6.3	7.5
Kerbala	4.4	7.8	9.0	38.3	34.2	4.4	1.2
Missan	8.8	12.0	7.9	61.1	2.2	2.3	5.8
Muthanna	4.2	6.8	11.0	63.0	1.6	8.2	4.4
Najaf	5.2	11.2	7.3	52.7	15.7	4.9	2.6
Ninewa	8.7	6.2	12.1	26.4	41.6	3.6	1.0
Qadissiya	12.4	12.1	6.9	47.2	9.4	7.5	4.0
Salah Al-Din	5.9	9.5	7.7	28.8	39.3	7.3	0.0
Sulaymaniyah	15.7	9.4	10.7	21.3	15.5	19.4	7.9
Tameem	7.8	8.2	6.8	55.2	17.1	3.4	1.2
Thi-Qar	18.2	12.5	16.6	33.6	12.2	3.9	2.0
Wassit	6.7	10.1	15.8	47.7	12.6	3.6	3.2

Source: UN, IAU, and GOI, COS, "Iraq Knowledge Network Survey 2011," 4/2012, p. 268, [www.iauiraq.org/documents/1686/IKN\\_S9\\_Governance\\_en.pdf](http://www.iauiraq.org/documents/1686/IKN_S9_Governance_en.pdf), accessed 6/12/2012.

independent of the national grid, and the MOE stopped reporting supply and demand data for the Kurdistan Region in March 2012.<sup>317</sup>

This quarter's estimated average supply of 6,200 MW on the national grid was a 9% increase from last quarter and an 18% increase from the same quarter in 2011. It also surpassed the previous quarterly record of 5,917 MW set in the July–September quarter last year and may have signaled that the MOE's efforts to expand generating capacity are finally starting to produce results.<sup>318</sup>

Still, the power supplied on the national grid in June was only able to meet consumer needs for roughly 10 hours each day.<sup>319</sup> Because of this shortfall, the CoM again this year approved a plan to provide a limited quantity of free fuel for off-grid government and private generators during the summer months. Under the plan,

This quarter's average supply on the national grid surpassed the previous quarterly record and may have signaled that the MOE's efforts to expand generating capacity are finally starting to produce results.



On May 6, the MOE announced the increases in electricity supplies it expects to see each month from June 2012 to April 2013. (MOE video)

which was authorized on May 22 and scheduled to be in effect from June 1 until September 30, the Ministry of Oil would provide free fuel to owners of generators who delivered at least 10 hours of electricity per day at reasonable prices to residential, commercial, or government buildings.<sup>320</sup>

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The KRG's Ministry of Electricity, by contrast, said that it expected residents in the Kurdistan Region to receive 20–22 hours of electricity each day from its grid during June and July.<sup>321</sup> Unlike the MOE in Baghdad, however, the KRG ministry does not publish daily supply and demand data.

## The National Grid: Supply Forecast and Developments

While acknowledging that supply will be unable to meet demand before the end of 2013,<sup>322</sup> the MOE made several announcements this quarter promising marked improvements over the next year. The most detailed forecast was in a May 6 press release and video that showed the electricity supply climbing to 12,330 MW in April 2013—a doubling of available power over a one-year period.<sup>323</sup> In a separate statement, the ministry said it expected the total supply to reach 27,000 MW early in 2015.<sup>324</sup> Figure 4.2 displays the MOE's month-by-month projection through next April, along with its reported average monthly supply from January 2011 through June 2012. The MOE's reporting for June was sporadic. Based on the limited available data, SIGIR estimates the actual supply in June was

in the range of 6,700–6,800 MW, at least 9% below the 7,450 MW in the MOE's May forecast.

### New Generating Units Coming on Line

The MOE reported that several projects to build diesel and combustion turbine plants reached or neared completion this quarter:

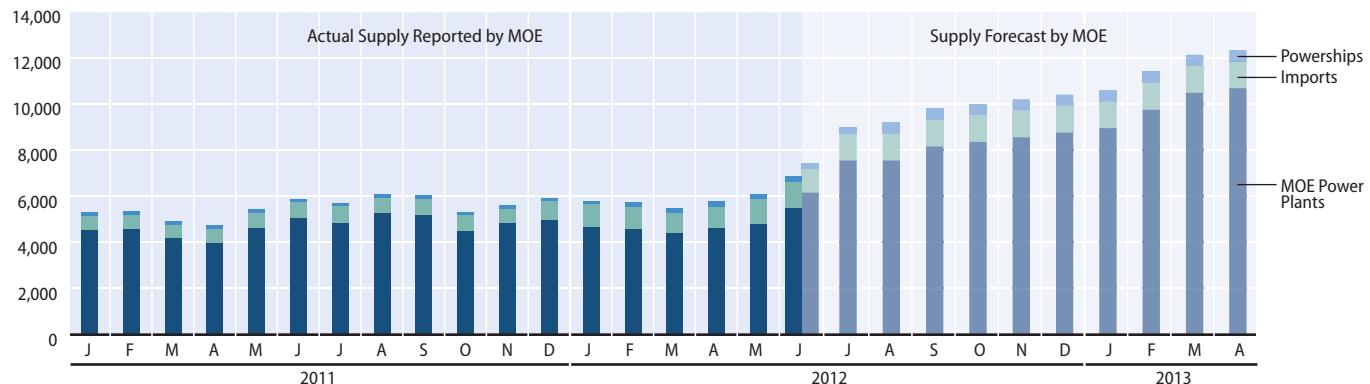
- On May 19, the MOE began operation of a 230 MW diesel plant in Haditha in Anbar province. Work on this project originally began during the regime of Saddam Hussein, but was halted in 2002 and not resumed until 2009.<sup>325</sup>
- On May 23, the first of the MOE's "Fast Track" projects using GE combustion turbines went on line. The Taji Gas Power Plant, built by Iraqi-owned Uruk Engineering & Contracting, has four generating units with a combined capacity of 160 MW.<sup>326</sup>
- In June, the South Korean firm STX completed the four diesel plants (with a combined capacity of 900 MW) it agreed to build under a contract it signed with the MOE in 2011—a 300 MW plant in Kerbala, a 200 MW plant in Missan, and two 200 MW plants in Qadissiya. Under the terms of the \$1.1 billion contract, the MOE would only

Several projects to build diesel and combustion turbine plants reached or neared completion this quarter.

FIGURE 4.2

### ACTUAL AND FORECAST AVERAGE MONTHLY ELECTRICITY SUPPLY ON GOI NATIONAL GRID, 1/2011–4/2013

MW



Note: June 2012 "Actual Supply" is estimate based on limited available data.

Sources: ITAO/ESD, *Electric Daily Performance Reports*, 1/1/2011–6/30/2011; U.S. Embassy-Baghdad, responses to SIGIR data calls, 1/22/2012, 4/13/2012, and 7/3/2012; GOI, NMC, "Status of the Ministry of Electricity," selected reports, 6/1/2012–6/30/2012, [nmc.gov.iq/default.aspx](http://nmc.gov.iq/default.aspx), accessed various dates; GOI, MOE, press release, "Ministry of Electricity Announces the Size of the Total Electric Power Produced and Added Throughout the Months," 5/6/2012, [www.moelc.gov.iq/ar/index.php?name=News&file=article&sid=347](http://moelc.gov.iq/ar/index.php?name=News&file=article&sid=347), accessed 5/14/2012.

Iranian imports averaged 1,050 MW this quarter—a 62% increase from the same quarter in 2011.

accept generating units completed before July 1, 2012.<sup>327</sup>

- On July 2, the first six of eight 7.5 MW generating units entered service at the new “Martyr Abdul Abbas Hashim” diesel plant in Baghdad. The plant was being built by a Lebanese company.<sup>328</sup>

#### *Power Plants under Construction*

As of June 30, the MOE had more than 9,000 MW of additional generating capacity at various stages of construction. These projects were underway in at least nine provinces.<sup>329</sup> The largest plant under construction—and potentially the largest power plant in the Middle East—is the 2,540 MW al-Zubaidya thermal plant in Wassit, which is being built by Shanghai Electric. According to the MOE, the plant’s first generating unit, with a capacity of 330 MW, will come on line in early 2013.<sup>330</sup>

At least one construction project began this quarter. On June 20, Iran Power & Water Equipment and Services Export Company (Sunir) began work on a \$72 million contract to install 320 MW of new capacity at the Dibis combustion-turbine plant in Tameem province. The plant will use two 160 MW turbines that the MOE purchased in the December 2008 “Mega Deal” with Siemens.<sup>331</sup>

#### *New and Pending Power-plant Contracts*

Other projects were in the pre-award stage or expected to start soon. On April 29, for example, the MOE announced that it had signed a contract with Orascom Construction Industries of Egypt to build the 960 MW Baiji combustion-turbine plant in Salah Al-Din province. The plant will use six 160 MW turbines that the MOE purchased in the Siemens Mega Deal. The MOE expects the project to be completed within 21 months of start-up.<sup>332</sup>

The MOE also received and began evaluating bids on two major new power plants:

- The largest is for a 1,500 MW combined-cycle plant in Anbar, which will have four gas-fueled combustion-turbine generating units and two thermal units that use the waste heat from the

turbines to generate additional power. This will be the MOE’s first plant to use combined-cycle technology, and construction is expected to take almost three years.<sup>333</sup>

- The MOE is also evaluating proposals for building the 500 MW al-Samawa combustion-turbine plant in Muthanna, one of four plants that the MOE originally had planned to award to independent power producers (IPPs) but subsequently changed to engineering, procurement, and construction (EPC) contracts. Al-Samawa plant will use four 125 MW turbines that the MOE purchased in the December 2008 Mega Deal with General Electric (GE).<sup>334</sup>

#### **Imports and Powerships**

In line with the MOE’s near-term plan for increasing supplies, Iraq’s reliance on electricity imports from Iran has continued to grow. Iranian imports averaged approximately 1,050 MW this quarter—a 16% increase from last quarter, and a 62% increase from the same quarter in 2011.<sup>335</sup>

Also this quarter, for the first time in more than six years, electricity started flowing into Iraq from Syria. On June 10, the MOE announced that it had completed a transmission line that was carrying about 100 MW from Syria into Anbar province. The announcement did not say if the electricity was produced in Syria or if it was a portion of the supply transmitted into the region from Egypt.<sup>336</sup> Last quarter, the MOE reported that it had reached an agreement to start importing, via Jordan and Syria, 150–200 MW of electricity produced in Egypt by this summer.<sup>337</sup> The ministry’s daily electricity reports showed supplies on the new line to be in the 125–135 MW range in mid-June, but these imports ceased later in the month, and the MOE said that three of the line’s towers in Syria had been bombed.<sup>338</sup>

To pay for the additional supplies of imported power—as well as to pay the past-due bills from Iran Power Generation, Transmission, and Distribution Management Company (Tavanir)—the CoM on June 5 almost doubled the 2012 funding

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available for electricity imports. The budget approved by the CoR last quarter allocated \$940 million for this purpose, and the CoM this quarter increased the allocation to \$1.7 billion.<sup>339</sup>

In another effort to quickly boost supplies, the MOE this quarter signed a two-year contract with a United Arab Emirates company to add two more powerships, each capable of generating 125 MW, to the fleet docked in Basrah.<sup>340</sup> Three floating power plants owned by Karadeniz Energy Group of Turkey currently supply electricity to the Basrah area and produced an average of about 235 MW this quarter.<sup>341</sup> In April, the MOE reported that its inspector general and other law-enforcement agencies were investigating an alleged scheme to systematically steal fuel intended to run the generators on these ships.<sup>342</sup>

## System Reliability

The MOE's supply forecast for the next year is based mainly on the completion of ongoing projects aimed at adding new generating capacity to the grid. But even if these projects are completed on schedule, their potential could be limited by fuel availability, problems with the transmission and distribution network, and other issues. During the evening of June 15, for example, a scarcity of fuel and technical problems at al-Musayab thermal power plant reportedly led to a two-hour nationwide blackout, and the system was not returned to normal until the next morning.<sup>343</sup> To address these types of issues, the MOE has efforts underway to upgrade the network, reduce vandalism and illegal tapping, pipe in natural gas from Iran, and make better use of domestic natural gas that is currently flared.

## Kurdistan Region: Expansion of Generating Capacity, Imports, and Exports

The three major power plants in the Kurdistan Region are privately owned and have a combined nameplate capacity of 2,250 MW. The current capacity of the largest plant, Erbil Gas, is 1,000 MW, and plans are in place to convert the plant to

combined-cycle technology and thereby increase its generating capacity to 1,500 MW. Mass Global, the independent power producer that owns the plant, has selected GE to supply the steam turbines and Turkish company ENKA to execute the upgrade, which is scheduled for completion by mid-2014.<sup>344</sup>

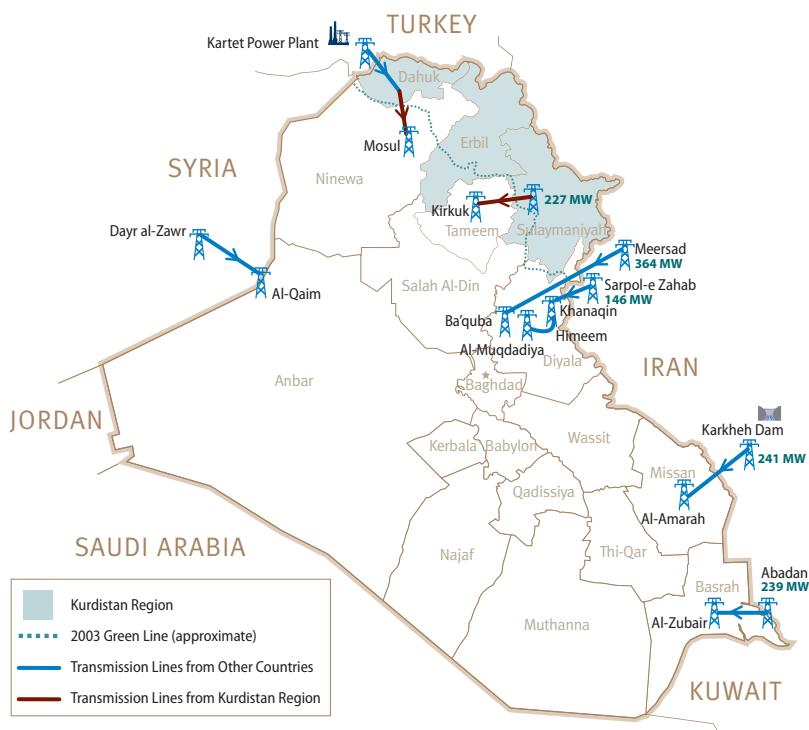
The KRG also announced plans this quarter to add a fourth major power plant to the Region's grid. On June 8, KRG Prime Minister Nечervan Barzani announced an agreement between companies from the Czech Republic, Turkey, and the Kurdistan Region to build the new plant, with financing provided by the Czech Export Bank.<sup>345</sup> According to one of the companies, the new gas-fired thermal plant will have a generating capacity of 980 MW and will be located in Erbil.<sup>346</sup>

Since January 2011, when the GOI allowed the contract for electricity imports from Turkey to Dahuk to expire, all electricity consumed in the Kurdistan Region has been produced in the region. However, on June 2, 2012, the KRG's Ministry of Electricity announced that it had "renewed" the contract for imports, that electricity was again flowing across the border into Dahuk, and that the ministry had connected the tie line from Turkey to another line that serves the Mosul area in Ninewa province. The announcement stated that "any impediments to the project would harm the inhabitants of Mosul" and that the KRG ministry was ready to provide services to all areas of Iraq.<sup>347</sup>

This is the second time in a year that the KRG has independently taken steps to provide electric power to areas of Iraq on the other side of the "Green Line." On June 23, 2011, KRG President Massoud Barzani announced that power produced in the Kurdistan Region was being supplied to Tameem to help that province during the hot summer and that these supplies would continue until the GOI "returns all these areas to the Kurdistan Region."<sup>348</sup> During the first two months of this quarter, the Kurdistan Region supplied an average of 227 MW to Tameem.<sup>349</sup>

This is the second time in a year that the KRG has independently taken steps to provide electric power to areas of Iraq on the other side of the "Green Line."

**FIGURE 4.3**  
**ELECTRICITY IMPORTS INTO AND WITHIN IRAQ, AS OF 6/30/2012**



**Note:** Routes of transmission lines are approximate. The supply (in MW) shown for each line is the approximate average amount transmitted during April and May 2012.

**Sources:** Based on GOI, NMC, "Status of the Ministry of Electricity," selected reports, 4/1/2012–6/30/2012, [www.nmc.gov.iq/default.aspx](http://www.nmc.gov.iq/default.aspx), accessed various dates; selected GOI and KRG press releases; U.S. Embassy-Baghdad, response to SIGIR data call, 7/3/2012.

Figure 4.3 shows the approximate routes of the transmission lines connecting the Kurdistan Region to Mosul and Kirkuk, as well as the lines coming into Iraq from Iran, Syria, and Turkey.

### Health

The CoM approved a draft law establishing a National Water Council to help the GOI develop improved domestic water strategies and conduct effective water-related regional diplomacy.

The Ministry of Health this quarter lifted a ban first imposed during the Saddam Hussein era that for decades had prevented foreigners from investing in, or administering, Iraqi hospitals. With the restriction lifted, foreign entities are able to contract with the GOI to undertake such work. Under Iraq's *National Development Plan 2010–2014*, the GOI called for an increase of more than 40% in the number of hospital beds, a 20% increase in the number of health centers, and

over 40% more specialized health centers that offer surgery and preventative medicine as well as routine services.<sup>350</sup>

### Water

This quarter, the CoM approved a draft law establishing a National Water Council to help the GOI develop improved domestic water strategies and conduct effective water-related regional diplomacy. The move comes as changing weather patterns and growing populations strain available water resources throughout the Middle East. As currently conceived, the new council will have an external division, headed by the Minister of Foreign Affairs, that will conduct relations with countries that also use water from the Euphrates and Tigris Rivers. A domestic division of the council will be headed by the Minister of Water Resources and include several other federal ministries.<sup>351</sup>

The Ministry of Water Resources and the General Assembly of the Arab League took steps toward greater cooperation in the management of the region's water resources, hosting a conference of Arab nations in Baghdad this quarter. Participants adopted a shared water agreement to ensure equitable division of existing water resources among regional countries and created a committee of experts to offer legal, political, and technical guidance in this effort.<sup>352</sup>

The United Nations Educational, Scientific and Cultural Organization is working with the GOI to survey Iraq's groundwater resources to improve the government's ability to counter the growing problem of water scarcity. The program, supported by \$6.3 million from the European Union, is to determine the availability of groundwater to supplement Iraq's longer-term water needs—needs currently met mainly by the Tigris and Euphrates Rivers. It involves "ground-proofing," or physically verifying, the presence of large underwater aquifers that appear on satellite images to determine if newly identified aquifers can be replenished if they are tapped. The program also contains a training program for the development of international negotiating skills

so that Iraq can better work with nations that share the major watersheds of these rivers<sup>353</sup>

## Education

The Chairman of the CoR Committee on Higher Education expressed concern about the arrest this quarter of a respected professor at Baghdad University without apparent cause other than his outspoken political views. He denounced the arrest as “a step backwards for Iraqi democracy,” saying that the action could discourage Iraqi academics now working in foreign countries from considering a return to Iraq.<sup>354</sup>

## Displaced Persons

### Relocating the Former Residents of Camp Ashraf

On December 25, 2011, the United Nations (UN) and GOI signed an MOU providing for the relocation of the approximately 3,400 Iranian Mujaheddin e-Khalq (MEK) members living at Camp Ashraf. As of mid-May, the GOI had run five convoys transporting almost 2,000 former Ashraf residents to new housing facilities at Camp Hurriya (formerly the U.S. military base near Baghdad known as Camp Liberty). Each of the five convoys was accompanied by UN monitors, who also observed the GOI’s screening and loading procedures—a process the Department of State (DoS) Special Advisor for Ashraf described as “lengthy” and characterized by sometimes heated disagreements between GOI officials and Ashraf residents. Although DoS officials have stated that Camp Hurriya has Internet connectivity, a mosque, and a gym, several humanitarian challenges persist, including an insufficient number of functional air-conditioning units, generators, and sewage-removal systems capable of supplying a fully populated camp.<sup>355</sup>

The next step in the resettlement process involves the UN High Commissioner for Refugees

(UNHCR) determining the eligibility of Camp Hurriya residents for refugee status. The United States has expressed a willingness to accept an undetermined number of UNHCR referrals, as have several European countries. Other Hurriya residents may be forced to rely on UNHCR assistance to secure resettlement in another country if they elect not to return to Iran.<sup>356</sup>

On June 18, DoS issued a statement chiding the MEK leadership for insisting that U.S. representatives inspect Ashraf before additional residents are moved to Hurriya. This quarter, DoS also stated that it intends to comply with a recent federal appellate court decision that calls for it to determine by October 1, 2012, whether the MEK will remain on its list of terrorist organizations.<sup>357</sup>

### Refugees and Returnees

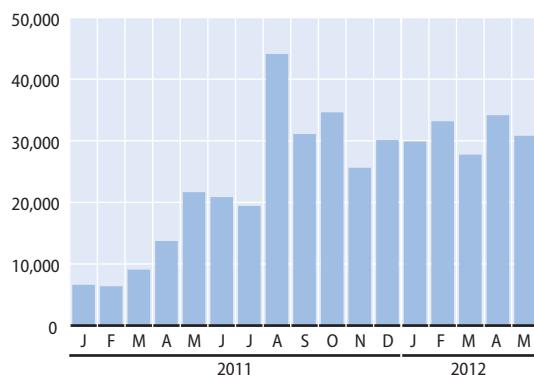
The number of Iraqi refugees registered with the UNHCR in neighboring countries continued its steady downward trend during the first five months of 2012, falling by about 11% from 168,765 on January 1 to 149,897 on May 31. About two-thirds of registered refugees listed Baghdad as their province of origin, 11% reported Ninewa as their place of origin, and 5% said they were from Basrah. Notwithstanding the ongoing civil conflict in Syria, nearly 59% (87,741) of registered refugees were sheltering there. About 19% (29,191) resided in Jordan, and 8% (11,322) in Turkey.<sup>358</sup> As Figure 4.4 shows, for the first five months of 2012, the number

The number of Iraqi refugees registered with the UNHCR in neighboring countries continued its steady downward trend during the first five months of 2012.



IDP children in Diyala province, 2011. (UNHCR photo)

**FIGURE 4.4  
NUMBER OF RETURNING REFUGEES AND IDPS,  
BY MONTH, 1/2011–5/2012**



Source: UN, IAU, "Monthly Statistical Update on Return," 5/2012, p. 11, [www.iauraq.org/documents/1743/Return%20Update%20IRAQ%20MAY%202012.pdf](http://www.iauraq.org/documents/1743/Return%20Update%20IRAQ%20MAY%202012.pdf), accessed 7/15/2012.

Nearly 500,000 people live in squatter settlements throughout Iraq, with more than 200,000 of them residing in Baghdad province.

of Iraqi internally displaced persons (IDPs) and refugees registering as returnees remained ahead of 2011's pace.

As of the end of May, 154,700 had registered with the Ministry of Displacement and Migration (MoDM). In all of last year, 260,690 returnees registered, including 193,610 IDPs and 67,080 refugees. Since January, about 69% of IDP and refugee returnees have registered in Baghdad province, followed by 15% in Diyala province.<sup>359</sup>

### Syrian Refugees in the Kurdistan Region

According to KRG officials, more than 5,300 Syrian refugees were sheltering in the Region as of mid-June. The majority of Syrian refugees in the Region resided in Dahuk province's Domiz camp, which opened in early April. Those who did not live in a refugee camp usually stayed with relatives or in mosques. A survey conducted by the International Organization for Migration (IOM) found that almost all of these refugees are Sunni Kurds. The camp provides some basic services, such as tents and some drinking water, but it lacks medical facilities and adequate water and sanitation networks. While the UNHCR has assisted the KRG by providing refugees with basic foodstuffs, and the IOM has built a water-storage tank, Kurdish

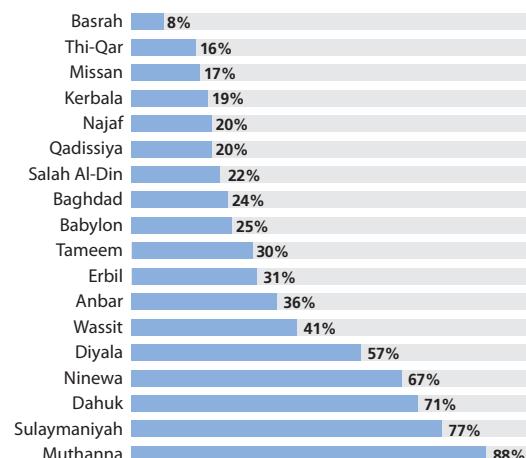
officials have stated that more help is needed if they are to meet the growing population's needs.<sup>360</sup>

### Housing Needs of Displaced Persons

According to information published by the IOM this quarter, nearly 500,000 people live in squatter settlements throughout Iraq, with more than 200,000 of them residing in Baghdad province. While the problem is particularly acute in the capital, a majority of IOM-assessed families in the southern provinces of Missan (66%) and Kerbala (62%) were living in some form of substandard shelter. Figure 4.5 shows the IOM report's findings on home-ownership rates.<sup>361</sup>

About half of all families living in substandard housing (such as tents and tin shacks) are IDPs (48%), while almost as many are characterized as residents of the host communities (46%). In contrast to 2006–2008, when deteriorating security drove displacement, the IOM found that many of these families have been driven into squatter camps and other temporary accommodations because of drought conditions, a lack of building materials, or a dearth of home financing in their communities. The GOI's Ministry of Construction and Housing

**FIGURE 4.5  
HOME-OWNERSHIP RATES AMONG UN-ASSESSED FAMILIES, BY PROVINCE, 6/2012**



Source: IOM, "Iraq Special Report: Shelter," 6/15/2012, p. 14, [reliefweb.int/sites/reliefweb.int/files/resources/ShelterFinal.pdf](http://reliefweb.int/sites/reliefweb.int/files/resources/ShelterFinal.pdf), accessed 6/17/2012.

estimates that it would have to construct one new home every 45 seconds of each work day to keep up with the surging demand for housing.<sup>362</sup>

## UNHCR Assistance to Displaced Persons

The UNHCR reported that it has assisted the MoDM in drafting a national framework that outlines several measures needed to improve the lives of displaced persons and returnees. UNHCR operates 18 Protection Assistance and Return Centres and 40 mobile teams throughout Iraq, as well as 6 Return Integration and Community Centres in Baghdad to monitor protection and provide legal counseling. According to the UNHCR, it helped 6,750 displaced persons and returnees in 2011 obtain registration and documentation for births and marriages, recover lost documents, or renew outdated ones. In 2011, the UNHCR opened more than 3,100 legal cases, of which 38% served female clients.<sup>363</sup>

## Human Rights

### DoS Report on Human Rights Practices

In late May, the DoS Bureau of Democracy, Human Rights and Labor issued its annual Iraq country report on human rights practices for 2011, citing the continuing abuses by sectarian, ethnic, and government-affiliated armed groups as the most significant remaining human rights issue in the country.<sup>364</sup> DoS stated that government involvement in extrajudicial killings remained low, but cited “credible reports” of some incidents, including one in February 2011 that involved soldiers arresting, torturing, and killing a Nineveh province resident.<sup>365</sup> Other major problems cited in the report included:

- **ISF abuses.** According to DoS, “impunity for security forces continued,” with human rights violations committed by ISF personnel rarely being investigated and perpetrators seldom being punished.<sup>366</sup>

- **Prison conditions.** In its analysis of living conditions at GOI-administered detention facilities, DoS contrasted the relatively decent treatment accorded to prisoners at prisons run by the Ministry of Justice’s Iraqi Corrections Service (ICS) with the “generally poor” circumstances encountered at jails overseen by the Ministries of Interior and Defense.<sup>367</sup>
- **Arbitrary arrests.** DoS reported that ISF personnel frequently arrested citizens without the judicial authorization required under Iraqi law and often failed to notify family members of the arrests. Post-arrest, suspects were often held incommunicado for long periods without being formally charged or afforded the opportunity to speak with defense counsel. Although the ICS is authorized to hold only post-conviction detainees, about 35% of prisoners under ICS control in 2011 were pre-trial detainees.<sup>368</sup>
- **Limitation of free speech.** While citing several instances involving the intimidation of journalists by both GOI and KRG security forces, DoS found that the main limitation on freedom of speech came from self-censorship based on “the real fear” of reprisals, whether by the government, political parties, criminal gangs, or insurgent forces.<sup>369</sup>
- **Pressure to join political parties.** DoS noted that this is a particular problem in the Kurdistan Region, where Patriotic Union of Kurdistan (PUK) officials pressure residents of Sulymaniyah province, and Kurdistan Democratic Party (KDP) officials pressure people living in Erbil and Dahuk provinces. For residents of the Kurdistan Region, failure to affiliate with either party can adversely affect employment prospects.<sup>370</sup>
- **Censorship.** According to DoS, books published within the country needed the Ministry of Culture’s approval prior to publication, and imported books remained subject to censorship.<sup>371</sup>
- **Domestic violence.** Relying on information compiled by nongovernmental organizations (NGOs), DoS stated that domestic violence against women remained a serious problem,

According to DoS, “impunity for security forces continued,” with human rights violations committed by ISF personnel rarely being investigated and perpetrators seldom being punished.

DoS granted Iraq a waiver from Tier 3 status based on its assessment that the GOI is devoting sufficient resources to crafting a written plan that, if fully implemented, would constitute a significant step toward meeting the minimum standards for eliminating trafficking in persons.

with abusers often going unpunished. DoS cited the lack of trained GOI police and judicial personnel as a major factor hampering efforts to bring domestic abusers to justice.<sup>372</sup>

### UN Report on Human Rights

The UN Assistance Mission for Iraq (UNAMI), in coordination with UNHCR, also issued its annual report on human rights in Iraq this quarter. Underscoring the observations contained in the DoS report, UNAMI identified the still-elevated levels of violence, weak rule-of-law institutions, and widespread abuses against women and minorities as the most pressing human rights challenges facing Iraq. However, UNAMI noted that the GOI did make some progress in addressing these issues in 2011, including:<sup>373</sup>

- appointing a committee to nominate commissioners to the Iraqi Independent High Commission for Human Rights
- drafting a National Action Plan to implement the 135 recommendations made by the UN's 2010 Universal Periodic Review of human rights conditions in Iraq
- ratifying the Convention against Torture

The UNAMI report stated that, while the human rights situation in the Kurdistan Region continued to improve in 2011, measures taken by KRG officials to suppress demonstrations in early 2011 raised significant questions about the KRG's commitment to the freedom of expression. UNAMI also reiterated concerns about the continuing practice of female genital mutilation and other violence against women.<sup>374</sup>

### Human Trafficking

On June 19, DoS released its Trafficking in Persons (TIP) Report for 2012, placing Iraq on its Tier 2 Watch List for the fourth consecutive year. This category is for countries whose governments do not fully comply with the minimum standards established under the Trafficking Victims Protection Act, but are making

significant efforts to bring themselves into compliance with those standards.<sup>375</sup>

DoS granted Iraq a waiver from Tier 3 status (reserved for countries that are not making significant efforts to comply) based on its assessment that the GOI is devoting sufficient resources to crafting a written plan that, if fully implemented, would constitute a significant step toward meeting the minimum standards for eliminating trafficking in persons. For example, the Anti-Trafficking in Persons Law, which the CoR passed on February 23, 2012, entered into force in late April when it was published in the *Official Gazette*. The law requires the formation of a Central Committee to Prevent Human Trafficking, charging this as-yet-unformed entity with implementing the law's provisions. But the law does not specify which GOI ministries will be represented on the Central Committee or who will lead it. Moreover, the KRG has not passed a similar law, and the nature of its participation in the new anti-trafficking legal regime remains uncertain.<sup>376</sup>

DoS also found that Iraq remains a source and destination country for men, women, and children subjected to sex trafficking and forced labor. While stating that the GOI did make some efforts to prevent trafficking in persons in 2011, the TIP Report also concluded:<sup>377</sup>

- Iraqi women are often lured into forced prostitution through false promises of work, with Saddam Hussein's hometown of Tikrit cited as the epicenter for many such trafficking rings.
- Some Iraqi boys from poor families are reportedly forced into non-consensual labor and commercial sexual exploitation.
- The GOI did not make demonstrable efforts in 2011 to investigate or punish government officials' complicity in trafficking offenses.
- The GOI demonstrated minimal efforts to protect victims of trafficking during the reporting period.
- The GOI continued to criminalize NGO-run shelters that provided protective services to sex-trafficking victims.

## Minority Participation in Public Life

According to a report issued in late 2011 by the NGO Minority Rights Group International, many members of Iraqi minority groups (such as Christians, Turkmen, Yazidis, and Shabaks) are unable to access public services or obtain employment because of ethnic or religious prejudice. The report, which received financial support from the European Union and was conducted in partnership with the Iraqi Minorities Council, focused on minorities in northern Iraq and the provinces of Baghdad, Basrah, and Babylon. It noted that 60% of minorities surveyed felt comfortable exercising their religious rights, while less than half felt safe visiting places of worship (47%) or wearing religious symbols (45%). The report also found that female members of

minority groups were particularly vulnerable, with 96% of female minority members surveyed reporting that they had insufficient access to social services. Other key findings included:<sup>378</sup>

- 71% of respondents reported a lack of access to adequate water resources.
- 68% of respondents reported having difficulty buying medication.
- 38% of respondents reported experiencing discrimination when applying for a government job.
- 35% of respondents reported experiencing discrimination because of their political affiliation (or lack thereof).
- 32% of respondents reported experiencing discrimination when attempting to obtain housing assistance from the government.♦

60% of minorities surveyed felt comfortable exercising their religious rights, while less than half felt safe visiting places of worship or wearing religious symbols.

## SECURITY AND THE RULE OF LAW

In late April, municipal officials in Baghdad announced a plan to open up 50% of the streets that had been closed for security reasons.<sup>379</sup> Baghdad officials also stated that about 200,000 concrete barriers (including at least 50,000 large t-walls) had already been dismantled, citing the success of the recent Arab League summit as evidence that security precautions could be normalized.<sup>380</sup> But a series of bombings in June and July underscored the fragility of the security situation in Baghdad and elsewhere, calling into question the durability of recent years' gains and the relaxing of security measures. In the worst day of violence, a series of attacks on July 23 in Taji, Baghdad, Kirkuk, and other cities killed more than 100 and injured at least 250.

### Recent Violence

On June 13, a wave of at least 40 coordinated attacks killed more than 60 people and injured over 200.

Several other major attacks occurred this quarter. On June 13, a wave of at least 40 coordinated attacks killed more than 60 people and injured over 200. In Baghdad, attacks targeted Shia pilgrims commemorating the eighth-century death of a revered imam, killing about 30. On that day, anti-government forces also carried out attacks in Hilla, Ba'quba, Kirkuk, Kerbala, Balad, and Mosul. Prior attacks against Iraq's Shia majority were carried out in Baghdad on May 31 (a bombing in a Shia neighborhood that killed at least 18) and June 4 (a bombing of the Shia Endowment's headquarters, which killed more than 20). Other mass-casualty attacks this quarter included:<sup>381</sup>

- April 13—An attack on a bus in Samarra killed 7 Shia pilgrims.
- April 19—Bombings in 10 cities killed at least 30 people.
- April 26—The bombing of a café near Ba'quba killed 10.

- June 16—Two car bombs in Baghdad killed 32.
- June 18—A suicide bomber killed at least 15 in Baghdad.
- June 22—Two bombings killed at least 14 and injured more than 100 in Baghdad.
- June 25—Nine young soccer players and fans were killed by a bomb in Hilla.
- July 3—Multiple attacks in central and southern Iraq killed at least 40.
- July 22—Three bombings in Baghdad killed at least 15 and injured more than 60.

### Trends in Attacks and Casualties

According to the UN, the number of monthly attacks declined from 3,303 in August 2007 to 239 in March 2012—one of the lowest monthly totals since 2003. However, the number of attacks increased in both April and May before dropping slightly to 325 in June.<sup>382</sup> The UN reported that attacks killed at least 1,053 Iraqis from April 1 to June 30, up slightly from the first three months of this year when it reported 1,048 fatalities.<sup>383</sup> And while official data for July is not available, the attacks that occurred on July 23 apparently resulted in the largest one-day death toll in more than two years. Although the GOI does not post official totals for monthly attacks, media reports of information provided by Iraqi security and health officials suggest the GOI may be under-reporting the number of attacks—this quarter, possibly by more than 60%.<sup>384</sup>

### Assassinations

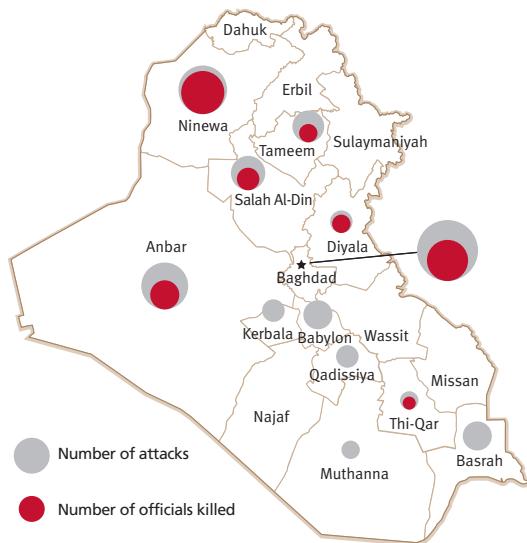
Assassinations of senior government officials continue as well. On May 25, unknown assailants shot and killed a Ministry of Interior (MOI) brigadier general as he was leaving his house in southern Baghdad. That same day, the Vice President of the Ninewa Provincial Council survived a bomb

# DEVELOPMENTS IN IRAQ

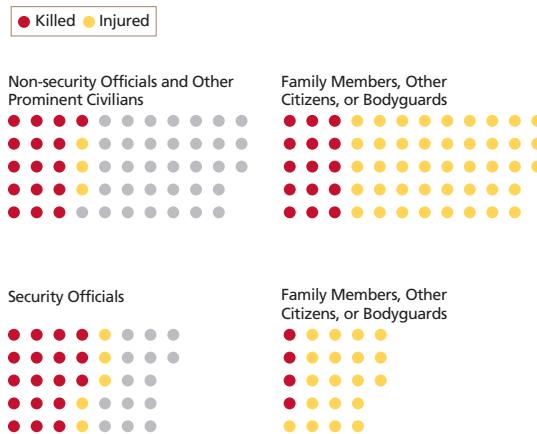
FIGURE 4.6

## SELECTED ACTS OF APPARENT TARGETED VIOLENCE AGAINST SENIOR OFFICIALS, 4/1/2012–6/30/2012

### Number of Attacks and Officials Killed, by Province



### Officials Targeted, Killed, and Injured, and Related Casualties



Note: This table provides examples of assassinations, attempted assassinations, and other small-scale acts of violence that appear to have been aimed at specific persons or groups this quarter. It does not purport to be all-inclusive, nor presume to imply the attackers' respective motives.

Source: SIGIR analysis of open-source documents in Arabic and English, 4/1/2012–6/30/2012.

attack on his convoy in Mosul that killed at least one person. Judges were also targeted this quarter. On July 1, a criminal court judge in Mosul was shot to death while driving home from work. As Figure 4.6 shows, this quarter, at least 90 senior GOI personnel were the apparent targets of assassination attempts, resulting in at least 34 deaths. This is up from 17 killings of senior officials for the three-month period from mid-January to mid-April 2012.<sup>385</sup>

(ISF) personnel defused four other bombs in the same area. According to GOI officials, oil exports to Turkey were not affected by this incident.<sup>388</sup>

- In late June, bombs damaged three towers on a line for the transmission of electricity from Syria to Anbar province.<sup>389</sup>
- In early July, bombs damaged two more towers on the Baiji-Kirkuk line and disrupted service.<sup>390</sup>

**Bombs damaged three towers on a line for the transmission of electricity from Syria to Anbar province.**

### Attacks on Infrastructure

Terrorists also attacked vulnerable Iraqi infrastructure targets on multiple occasions this quarter:

- In late April, police in Mosul safely detonated a bomb that was attached to a cell-phone tower.<sup>386</sup>
- In late May, the bombing of a tower severed the 400-kilovolt transmission line between Baiji and Kirkuk.<sup>387</sup>
- In early June, two bombs detonated near oil pipelines outside Kirkuk. Iraqi Security Forces

### MOI Principal Deputy Minister's Assessment of Iraqi Security

On May 2, the Inspector General met with Principal Deputy Minister of Interior Adnan al-Asadi, who stated that the three main challenges facing the MOI were terrorism, corruption, and armed militia groups. Al-Asadi stated that about “90% of al-Qaeda in Iraq- and Ba’athist-affiliated” groups had been defeated, with their members either killed

or captured. With regard to corruption, al-Asadi alleged that “there are many corrupt ministers,” many of whom are difficult to build cases against because of their high positions within the GOI. He added that there was a need for stronger anticorruption laws that would enable the MOI, and other GOI agencies, to combat corruption more effectively, noting that government funds obtained through illicit means still finance terrorist operations. In al-Asadi’s view, “power is needed to cure corruption in Iraq.”<sup>391</sup>

## Landmines and Unexploded Ordnance

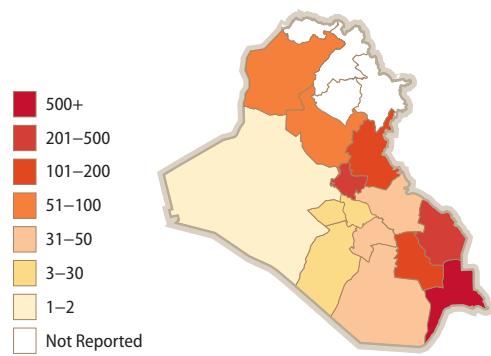
The UN estimates that about 1,730 square kilometers of Iraqi territory—inhabited by about 1.6 million people—is rendered dangerous by the presence of landmines or unexploded ordnance (UXO). In 2011, 10 Iraqis were reported killed, and 20 more injured, by landmines. As Figure 4.7 illustrates, mines and UXO are generally concentrated in southern and eastern Iraq, where Iraqi troops constructed defenses against the Iranians in the 1980s and against the U.S.-led coalitions of 1991 and 2003. The UN reports that 90% of the contaminated land is agricultural. UXO has also affected the development of some of Iraq’s large southern oil fields. Under the terms of their contracts with the GOI, international oil companies are obliged to survey and clear any land they suspect of being contaminated by UXO. In May, UN and GOI officials involved in clearing Iraq’s minefields said progress was slow and that all mines may not be cleared until 2028.<sup>392</sup>

An MOI major general announced that the ISF had only limited control over Iraq’s border with Syria despite the addition of more personnel to the area in May.

## Fighting between Turkey and the PKK

In late June, multiple Turkish air strikes hit Kurdistan Workers’ Party (PKK) base camps in the

**FIGURE 4.7**  
**LANDMINE AND UNEXPLODED ORDNANCE SITES, BY PROVINCE, 2011**



Source: GOI, MOH, “WHO Injury Surveillance Results,” 2011.

northern part of the Kurdistan Region in retaliation for a PKK attack on a Turkish army post that killed 8 Turkish soldiers and injured about 20. The latest round of fighting between the Turkish military and the PKK brought the death toll for the past 12 months in this decades-long conflict to more than 500 Turkish soldiers, PKK insurgents, and civilians.<sup>393</sup>

## Policing the Syrian Border

In late June, an MOI major general with security responsibility for parts of Ninewa province announced that the ISF had only limited control over Iraq’s border with Syria despite the addition of more personnel to the area in May. He cited two reasons for the instability. First, neither Iraq nor Syria has been able to control cross-border smuggling networks. Second, many of the tribes in the area inhabit villages on both sides of the line, making the trafficking of goods and persons across the border easier. His sentiments were echoed in a June 19 statement by a member of the CoR’s Security and Defense Committee, who stated that Iraq needs additional surveillance planes to improve its ability to monitor cross-border traffic and dismantle smuggling networks.<sup>394</sup>

## Iraqi Security Forces

This quarter, the MOI announced the findings of its joint study with the Ministry of Defense (MOD) on the process for transferring most security missions in Baghdad—many of which are currently handled by the Iraqi Army (IA)—to MOI police forces. Plans call for the transfer to be conducted in three phases. Upon completion of the final phase, MOI personnel will be responsible for 75% of security duties in Baghdad, with MOD forces retaining control over the other 25%, including providing protection for many GOI buildings and crowded public spaces.<sup>395</sup>

Increasing the MOI's role in domestic security has been a longstanding goal of both the GOI and U.S. civilian and military advisors. As the Office of Security Cooperation-Iraq (OSC-I) Chief noted in his May 1 meeting with the Inspector General, the continued professional development of Iraq's military depends, in part, on the rapidity with which it can transfer domestic security responsibilities to MOI police forces and reorient its training toward preparing for external contingencies.<sup>396</sup>

As the ISF prepares for these transitions, it has placed increased emphasis on indigenous training initiatives (independent of those delivered by OSC-I or the PDP). This quarter, the ISF reported activities in several professional-education programs:<sup>397</sup>

- 42 MOI personnel graduated from a six-month MOD-led training course held at a military school in Thi-Qar province, bringing to more than 1,300 the number of MOI personnel who have completed this program.
- 160 new police officers graduated from training to prepare them for protecting electricity infrastructure.
- 553 police recruits graduated from a three-week training course held in Basrah.

The GOI has asked OSC-I to support several programs that would enhance its capabilities as it assumes new domestic-security responsibilities, including a Foreign Military Sales case to develop



ISF personnel on review, July 2012. (GOI photo)

the Iraqi Intelligence Sharing Initiative. This computer-based intelligence-sharing system would allow Iraq to receive and fuse raw data into useable intelligence.<sup>398</sup> OSC-I is also facilitating the delivery of armored vehicles, communications equipment, and additional weapons for the MOI, with delivery expected in late 2012 and early 2013.<sup>399</sup> For more on OSC-I activities, see Section 3 of this Report.

To address future manpower needs, the CoR's Security and Defense Committee is considering whether to push for the reestablishment of the draft. One member of the committee noted that an additional benefit of conscription could be the fostering of a national identity and a concomitant weakening of sectarianism. However, the committee's efforts remain preliminary, and the reestablishment of a draft, if it were to happen, appears to be many years off.<sup>400</sup>

The continued professional development of Iraq's military depends, in part, on the rapidity with which it can transfer domestic security responsibilities to MOI police forces.

## Counterterrorism Forces

No single GOI agency “owns” the domestic counterterrorism portfolio. Instead, multiple agencies possess overlapping authorities. The most publicly active agency charged with counterterrorism is the Counter-Terrorism Bureau,

The process of integrating PUK and KDP Peshmerga units should be completed by the end of this year.

established in April 2007 by the Prime Minister. Its approximately 400 personnel are drawn from the IA, the Federal Police, and the Emergency Response Bureau. The Counter-Terrorism Bureau generally targets Sunni anti-government elements, including Ba'athists and al-Qaeda-linked operatives. Other GOI counterterrorism entities include:<sup>401</sup>

- MOI Emergency Response Bureau—a special weapons and tactics unit with about 1,200 personnel
- MOI Major Crimes Unit—a specialized police unit with about 2,000 personnel
- MOI Anti-Terrorism Directorate—an other specialized police unit with about 500 personnel
- MOI Internal Affairs—responsible for investigating major felonies as well as some antiterrorism cases
- MOD Special Operations Forces—specialized military units involved in counterinsurgency operations (as discussed in Section 3, these forces are slated to receive a significant amount of additional U.S.-funded training and equipment in the coming months)

### Sons of Iraq

In early June, the Prime Minister's Advisor for Reconciliation Affairs announced that the remaining Sons of Iraq (SOI) units (Awakening Councils) would be shut down in 2013, noting that it was the GOI's original intention to cease supporting them in 2011. However, the advisor implied that the GOI's 2013 budget would continue to provide financial support for remaining SOI members who had not been transitioned to jobs in GOI ministries. He added that the GOI was currently administering training programs for SOI members who desired government positions. As of late January 2012, the GOI estimated that about 70,000 former SOI members—out of approximately 100,000—had been transitioned into various government positions.<sup>402</sup>

### Unifying the Kurdish Peshmerga

On May 23, 2012, the Secretary General of the KRG's Ministry of Peshmerga Affairs announced that the process of integrating Patriotic Union of Kurdistan (PUK) and Kurdistan Democratic Party (KDP) Peshmerga units should be completed by the end of this year. While the two groups fought a civil war in the mid-1990s, they cooperated with each other to assist the U.S.-led coalition in deposing the Ba'athist regime, but maintained separate command structures. This cooperation eventually developed into a formal unification process, which began in 2009.<sup>403</sup>

In his May pronouncement, the Secretary General noted that a fully integrated force structure would achieve significant training and procurement efficiencies, and added that one of the most significant obstacles to unification—combining the separate PUK and KDP pension systems—had already been accomplished. But he added a note of caution, stating that the process might not be completed by December 2012 because combining military units is inherently more challenging than uniting civilian agencies.<sup>404</sup>

## Justice System

### Public Perceptions of the Justice System

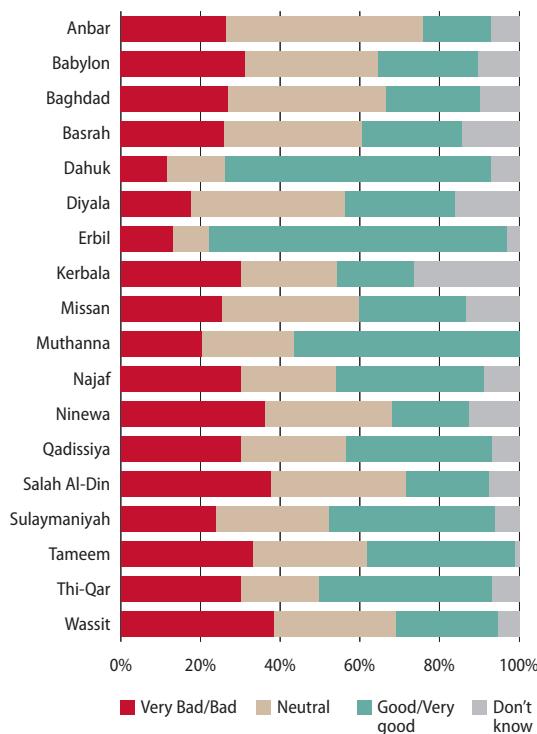
Geography affects how Iraqis perceive the quality of the justice system. For example, more than 60% of Erbil and Dahuk residents rate the justice system in their province as either "good" or "very good." Muthanna was the only majority-Arab province where more than 50% of respondents express similar favorable sentiments. In eight provinces—Babylon, Kerbala, Najaf, Nineveh, Salah Al-Din, Tameem, Thi-Qar, and Wassit—more than 30% of respondents rated the judicial system as "bad" or "very bad." Figure 4.8 summarizes the findings of the 2011 Iraq Knowledge Network Survey of Iraqi perceptions of the quality of the judicial system.<sup>405</sup>

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FIGURE 4.8

## PUBLIC OPINION ON QUALITY OF THE IRAQI JUSTICE SYSTEM, BY PROVINCE

% of Respondents



Source: UN, IAU, and GOI, COS, "Iraq Knowledge Network Survey 2011," 4/2012, p. 246, [www.iauraq.org/documents/1686/IKN\\_S9\\_Governance\\_en.pdf](http://www.iauraq.org/documents/1686/IKN_S9_Governance_en.pdf), accessed 6/12/2012.

## The Trial of Vice President Tariq al-Hashimi

On May 15, the trial in absentia of Vice President Tariq al-Hashimi began in Baghdad. Al-Hashimi currently resides in Turkey and maintains that he could not receive a fair trial in Baghdad. A Sunni member of al-Iraqiya bloc and an avowed foe of the Prime Minister, al-Hashimi is charged with arranging the deaths of three people, including two GOI officials. Key events during the first weeks of the trial included:<sup>406</sup>

- testimony by three of al-Hashimi's bodyguards asserting that al-Hashimi or his son-in-law (and co-defendant) arranged for them to receive money in return for carrying out assassinations

- the court's rejection of defense counsel's request to obtain and use as evidence al-Hashimi and his son-in-law's phone records and calendars, as well as the rejection of the defense's request to call President Jalal Talabani as a witness
- testimony by a tribal leader that he was paid about \$90,000 by al-Hashimi and his agents to carry out bombings against ISF personnel in 2009 and 2011, videotapes of which were then sent to al-Hashimi
- a ruling by the court that al-Hashimi could have arranged for the assassinations while he was traveling out of the country
- a walk-out by defense counsel to protest what they perceived as unfair evidentiary rulings
- testimony by al-Hashimi's former deputy security chief that he helped arrange the assassinations of Sunnis opposed to al-Hashimi and his allies

As of mid-July, the three-judge tribunal had not rendered a verdict in the case.

## Other Significant Cases

On May 7, a Baghdad trial court acquitted Lebanese national Ali Musa Daqduq of involvement in the 2007 murder of U.S. military personnel in Kerbala. According to U.S. officials, the court acquitted Daqduq because it found there was insufficient credible evidence against him. Captured by U.S. forces in Basrah within weeks of the Kerbala attack, Daqduq was held in U.S. custody until December 2011, when he became one of the final detainees turned over to the GOI pursuant to the terms of the U.S.-Iraq Security Agreement. In late June, the Secretary of Defense announced that the GOI had provided the United States with assurances that it would not release Daqduq, a claim not immediately confirmed by the GOI. As of mid-July, Daqduq reportedly remained in GOI custody.<sup>407</sup>

In early June, a Higher Judicial Council (HJC) spokesperson announced that the former Director General of the MOI explosives department had been sentenced to four years in prison on charges

On May 15, the trial in absentia of Vice President Tariq al-Hashimi began in Baghdad.

In its 2011 report on the human rights situation in Iraq, DoS reported that the GOI “did not implement anticorruption laws effectively, and officials frequently engaged in corrupt practices with impunity.”

relating to the purchase of defective bomb-detection equipment from a British contractor. The CoR Integrity Committee is continuing to investigate the matter, seeking to uncover evidence against higher-ranking MOI officials.<sup>408</sup>

In late June, the former Minister of Trade was sentenced in absentia to seven years in prison for his role in a scheme to skim money from the Public Distribution System, the nationwide food public-welfare program. Because he is a British citizen who currently lives outside of Iraq, it appears unlikely that he will serve his sentence.<sup>409</sup>

## Judicial Security

In an April 30 meeting with the Inspector General, HJC Chief Justice Medhat al-Mahmoud reiterated that providing security for judicial personnel remains a challenge. Since 2003, at least 48 of the HJC’s approximately 1,200 judges have been murdered, and the Chief Justice estimated that the HJC is able to provide security for only about 60% of the judges and their families—primarily those based in Baghdad and Anbar provinces. He expressed his hope that the HJC would soon be able to improve security in Mosul, where several judges have been killed in recent years. The Chief Justice added that budgetary constraints have adversely affected HJC security plans, but noted that cooperation between

the HJC and both the MOI and Iraqi intelligence agencies has improved.<sup>410</sup>

## Corruption

In its 2011 report on the human rights situation in Iraq, released in May 2012, DoS reported that the GOI “did not implement anticorruption laws effectively, and officials frequently engaged in corrupt practices with impunity.” Specifically, the report concluded:<sup>411</sup>

- The Joint Anticorruption Council—a body established with U.S. assistance in 2007 to improve working relationships among GOI anticorruption agencies—had “little appreciable impact, due to the scale of official corruption.”
- Effective joint action by GOI anticorruption agencies “[did] not take place” because of continued confusion about roles and responsibilities.
- GOI anticorruption agencies remained reluctant to prosecute cases involving politically influential suspects.
- Ministers regularly stalled investigations by failing to comply with requests for information.
- Some ministry officials “openly thwarted” oversight by the IGs.
- Political parties and CoR members attempted to pressure the COI on numerous cases
- Corruption remained a substantial challenge in the Kurdistan Region, despite the establishment of a new anticorruption agency there in mid-2011.

## Public Perceptions of Corruption

The 2011 Iraq Knowledge Network Survey provides additional perspectives on the nature of official corruption. In general, respondents from the Kurdistan Region were less likely to report perceiving corruption as a major problem than did respondents living in the rest of Iraq. The survey also showed that less than one-third of the respondents would report an allegation of corruption to either the

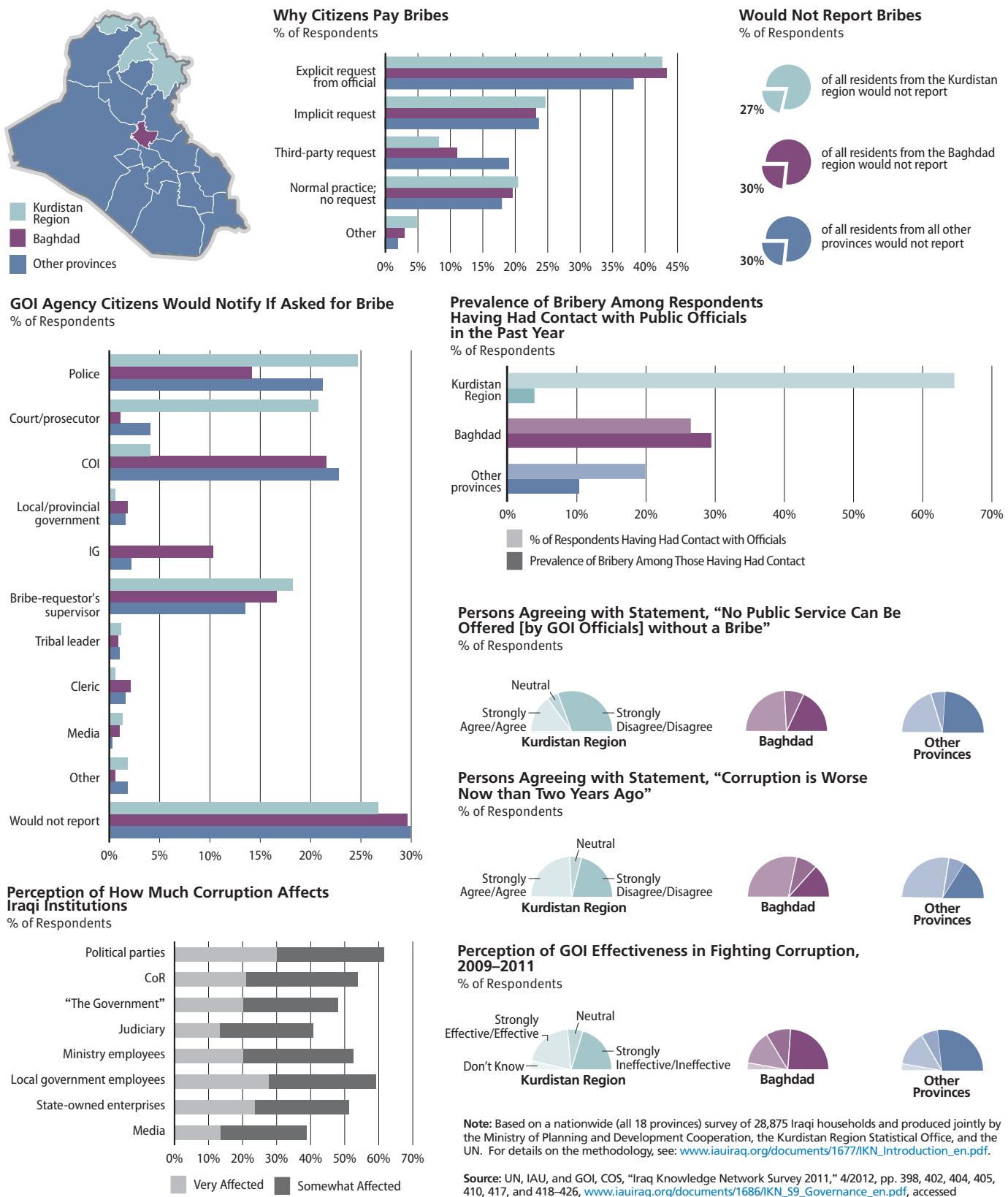


The Inspector General meets with the acting COI Commissioner, Judge All'a Jwad Hameed, in April 2012.

# DEVELOPMENTS IN IRAQ

FIGURE 4.9

## IRAQI PERCEPTIONS OF CORRUPTION



COI or the IGs, raising questions about the degree to which awareness of these two U.S.-established institutions has penetrated the national consciousness.<sup>412</sup> Figure 4.9 presents additional details about the survey findings.

### Commission of Integrity

This quarter, the COI released its *Annual Report for 2011*. For the year, more than 1,600 individuals were convicted of corruption-related crimes in the courts of Iraq's 15 provinces outside of the Kurdistan Region.<sup>413</sup> Figure 4.10 shows the number of those convicted in each province.

According to the report, the COI received 12,520 tips about alleged instances of corruption in 2011, up 40% from 2010. As of December 31, 2011, there were 3,517 arrest warrants against GOI personnel for corruption-related crimes, including at least 6 for ministers and at least 36 for officials holding the rank of Director General (DG) or above. A majority of these warrants

A majority of these warrants were for forgery, usually of educational credentials, or for administrative misconduct.



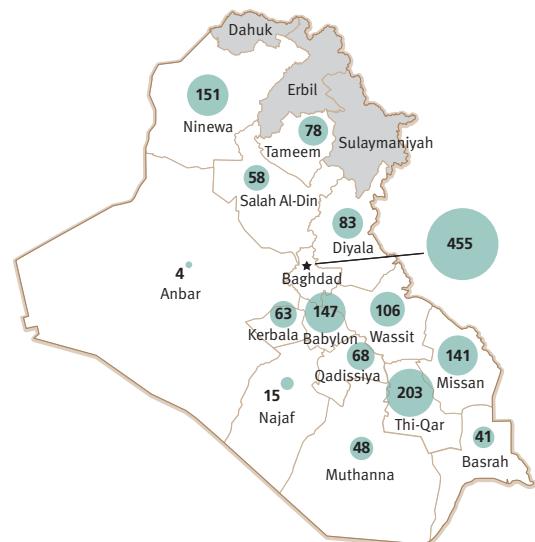
GOI officials and members of the media attend a COI seminar on transparency and accountability in May 2012. (GOI photo)

were for forgery (37%), usually of educational credentials, or for administrative misconduct (14%). The COI also reported that the HJC had issued 7,896 warrants for suspects to appear for questioning, including at least 12 for ministers and 130 for DGs. Unlike last year's report, the COI *Annual Report for 2011* does not contain an assessment by the Commissioner about the obstacles the COI encounters and the adverse consequences of official interference in its cases. (As of mid-July, the Commissioner was still serving on an acting basis and had not been confirmed by the CoR).<sup>414</sup>

Before its repeal in mid-2011, ministers could employ Article 136(b) of the Iraqi Criminal Procedure Code to halt investigations targeting their subordinates. The COI reported that ministers invoked Article 136(b) to halt cases against 413 officials during January–May 2011. While Article 136(b) is no longer operative, the courts are currently considering whether to reinstate it based on an appeal concerning the validity of the way the CoR repealed it.<sup>415</sup>

In April, the COI released the findings of its latest survey of GOI employees in 382 ministry offices in the 15 provinces outside of the Kurdistan Region. The survey found that offices dealing with real estate matters were perceived by GOI employees as corrupt, with many respondents also reporting that corruption appeared to be a problem at offices dealing with ports of entry,

**FIGURE 4.10  
CONVICTIONS FOR CORRUPTION-RELATED CRIMES, 2011**



**Note:** Corruption-related crimes in the three provinces of the Kurdistan Region—Dahuk, Erbil, and Sulaymaniyah—are pursued and reported separately by the KRG's Commission on Public Integrity.

**Source:** GOI, COI, *Annual Report for 2011*, p. 23.

# DEVELOPMENTS IN IRAQ

especially in Ninewa province.<sup>416</sup> Tables 4.3 and 4.4 show the offices most frequently mentioned by GOI employees as corrupt, by ministry and by province.

More recently, the COI issued a statement on alleged acts of financial misconduct at the MOD.

In mid-June, the COI announced that the MOD's branch of the Rafidain Bank had issued \$129 million in fraudulent loans by issuing funds without completing proper legal procedures. The COI has been actively looking into allegations of corruption at the MOD since at least 2005.<sup>417</sup> ♦

**TABLE 4.3  
GOI EMPLOYEE PERCEPTIONS: OFFICE WITHIN EACH MINISTRY WITH HIGHEST INCIDENCE OF BRIBERY, 4/2012**

MINISTRY	OFFICE
Agriculture	Thi-Qar Provincial Agriculture Directorate
Baghdad Municipality	Al-Shaab Municipality Office
Communications	Anbar Mail and Communications Office
Education	Karkh Education Directorate (Baghdad)
Electricity	Ramadi Electrical Distribution Office
Finance	Rabea Customs and Border Crossing Directorate (Ninewa)
Health	Anbar Provincial Health Office
Housing	Baghdad Housing Fund
Interior	Al-Dhilal Cars Registry (Baghdad)
Justice	Mansour Real Estate Registry (Baghdad)
Labor	Basrah Women's Committee
Migration and Displaced Persons	Basrah Migration and Displaced Persons Office
Municipalities	Kerbala Municipalities Directorate
Oil	Basrah Petroleum Products Distribution Company
Trade	Kirkuk Main Rations Center
Transportation	Rabea Land Transportation Company (Ninewa)

**Note:** Based on COI survey of 382 GOI offices in 15 provinces (not including Dahuk, Sulaymaniyah, and Erbil).

**Source:** GOI, COI, "Summary of Bribery Indicators in Ministries and Commissions," 5/24/2012, [www.nazaha.iq/pdf\\_up/383/sec3\\_apr12-E.pdf](http://www.nazaha.iq/pdf_up/383/sec3_apr12-E.pdf), accessed 6/6/2012.

**TABLE 4.4  
GOI EMPLOYEE PERCEPTIONS: GOVERNMENT OFFICE WITH HIGHEST INCIDENCE OF BRIBERY, WITHIN EACH PROVINCE, 4/2012**

PROVINCE	OFFICE
Anbar	Provincial Health Office
Babylon	Real Estate Registry Directorate
Baghdad	Al-Dhilal Car Registry
Basrah	Petroleum Products Commission
Kerbala	Municipalities Directorate
Missan	National Retirement Commission
Muthanna	Al-Rasheed Bank
Najaf	Al-Rafidain Bank, Al Ameer Branch
Nineva	Rabea Border Crossing Directorate
Qadissiya	Real Estate Registry Directorate
Tameem	Azadi Educational Hospital
Thi-Qar	Agricultural Directorate
Salah Al-Din	Real Estate Registry Directorate
Wassit	Real Estate Registry Directorate, Al Numania

**Note:** Based on COI survey of 382 GOI offices in 15 provinces (not including Dahuk, Sulaymaniyah, and Erbil).

**Source:** GOI, COI, "Summary of Bribery Indicators in Provinces," 5/24/2012, [www.nazaha.iq/pdf\\_up/383/sec2\\_apr12-E.pdf](http://www.nazaha.iq/pdf_up/383/sec2_apr12-E.pdf), accessed 6/6/2012.

## The Challenges of Oversight in Iraq

The Coalition Provisional Authority (CPA) Order 57 established the Iraqi inspectors general (IGs) in February 2004. The nature and scope of IG responsibilities were largely modeled on the U.S. federal government's IG system. Under Order 57, IGs possess the authority to audit ministry records, conduct administrative investigations, recommend corrective actions to the minister, and cooperate with investigative agencies and the judiciary in matters requiring their attention. To accomplish these broad objectives, the IGs were to be accorded unrestricted access to all ministry offices. However, having no precedent under previous Iraqi regimes, some IGs have struggled to establish themselves as effective actors within the GOI.

As of July 1, there were 34 IGs serving in most ministries as well as some other GOI institutions, such as the Sunni and Shia Endowments. The IGs confer regularly under the auspices of the IG *Diwan*, which is currently chaired by Minister of Industry and Minerals IG Salim Polis. This quarter, SIGIR officials met with IG Polis on several occasions to solicit his views on the system's current efficacy and future prospects. Topics addressed included:<sup>418</sup>

**Occupants of IG offices.** As of late June, more than 50% of IG offices were managed by acting or deputy IGs. But the heads of all offices—be they temporary or permanent—have at least one year of experience working in an IG office. New IGs are appointed by the Prime Minister based on a recommendation from a joint committee, comprising members from the COI, Board of Supreme Audit (BSA), IG *Diwan*, and Joint Anti-Corruption Council. According to Polis, the Prime Minister accepts the recommendation

of the committee about 75% of the time. The Prime Minister's nominee is then submitted to the CoR for approval.

**Relations with ministries.** Polis stated that the relationship between IGs and their ministers is largely dependent on the character and professionalism (or lack thereof) of each party. He noted that some ministries view the IG system as an impediment to the efficient execution of their mission. In these cases, Polis said that both sides share the blame because unprofessional IG employees sometimes fail to execute their duties and interfere with the day-to-day operations of the ministry. Polis stressed that the IGs, as a relatively new, U.S.-created institution, do not have firmly established professional relationships with many GOI offices.

**Supporters and opponents.** According to Polis, the IGs' most effective ally is the Iraqi public. He also spoke of receiving support from the COI, BSA, and some—but most definitely not all—members of the CoR. As for opponents, Polis said the most significant criticism of the IGs comes from corrupt political party leaders with ties to ministry officials. He added that many companies that do business with the GOI often exert a negative influence on the government-contracting process and obstruct the work of the IGs, denying them access to documents essential to the performance of their jobs.

**Effect of the IGs on ministry operations.** Polis acknowledged that, in some ministries, employees often hesitate to make decisions because of fear

that the IG might open an investigation on them for official misconduct.

He blamed this on certain IGs who act too much “like police officers,” noting that 70% of IG duties should involve helping to improve the performance of ministry employees in the management, accounting, legal, and technical realms, while only about 15% should be spent on investigating or questioning employees (with 5%

spent on training and 10% dedicated to answering questions by employees seeking guidance).

**Clarifying IG authorities.** The IGs are still governed by CPA Order 57. For several years, a new IG law has been debated, but he stated that prospects for its passage are uncertain. According to Polis, the proposed law would weaken the IGs, decreasing their independence and limiting their jurisdiction. Polis emphasized that any new law should include legal safeguards that would ensure the autonomy of the IGs, making them less prone to being influenced by their ministers. He added that a new IG law should also clearly delineate jurisdictional boundaries among the IGs, the COI, the BSA, and the Iraqi judiciary.

**Main weaknesses.** Polis identified three major weaknesses with the IG system:

- the poor relationships that exist between some IG offices and ministry employees
- persistent clashes between some IGs and ministers over IG roles and responsibilities
- the relatively low level of support for the IG system in the CoR



Minister of Industry and Minerals IG  
Salim Polis.

## ECONOMY

Reflecting a more pessimistic global economic outlook, the International Monetary Fund (IMF) this quarter revised Iraq's projected GDP growth for 2012 downward, from 12.6% to 11.1%. Still, the lower growth projection remains among the highest for oil-producing nations in the Middle East and North Africa (MENA) region.<sup>419</sup> Figure 4.11 compares Iraq's projected GDP and inflation rates for 2012 and 2013 with those of regional countries.

Iraq increased its crude oil exports—and receipts—to post-2003 record levels this quarter, and as major new infrastructure development work continued to take shape, the National Investment Commission (NIC) estimated that capital investment will double in 2012 to \$100 billion.<sup>420</sup>

However, continued political uncertainty cast a shadow over these developments, dimming prospects for passage of a compromise package of hydrocarbon laws needed to define basic rules for operating in the oil and gas sector. With 98% of Iraq's foreign-exchange income derived from crude oil, further declines in oil prices would affect the GOI's 2012 budget, which is calculated on oil at \$85 per barrel.<sup>421</sup> In April, the selling price of Iraq's crude oil averaged about \$118 per barrel, but it dropped to about \$103 per barrel in June.<sup>422</sup>

Other key indicators of Iraq's economic position this quarter include:

- **Oil Export Receipts.** The GOI earned \$22.78 billion in receipts from the sale of crude oil this quarter. The total was 18% more than last quarter and 13% above the same quarter in 2011, the previous post-2003 record.<sup>423</sup>
- **Inflation.** Year-on-year core inflation remained in the 6% range during the first two months of the quarter. However, proposed import tariffs could push this rate higher if they are implemented, as could the impact of money supply growth, which increased at an annual rate of more than 24% in May. Inflation

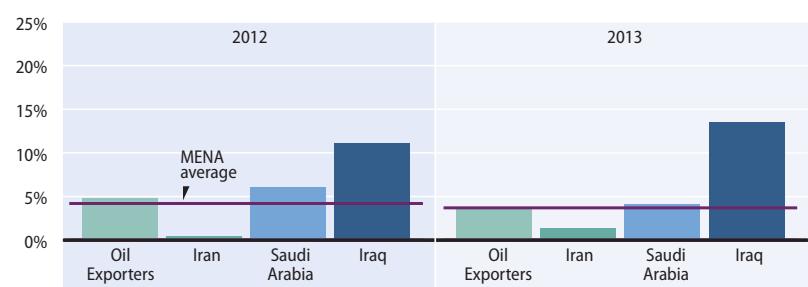
rates are already higher than neighboring Kuwait and Saudi Arabia, although still below the average for oil-producing countries in the MENA region.<sup>424</sup>

- **Currency and Interest Rates.** The CBI's policy interest rate remained stable at 6% during the quarter, and the official exchange rate was unchanged at 1,166 Iraqi dinar per U.S. dollar. The unofficial street exchange rate narrowed to within 4% of the official rate, and the CBI pledged to narrow the gap further to 2%. The unofficial dinar exchange rate was driven lower this quarter by strong demand for

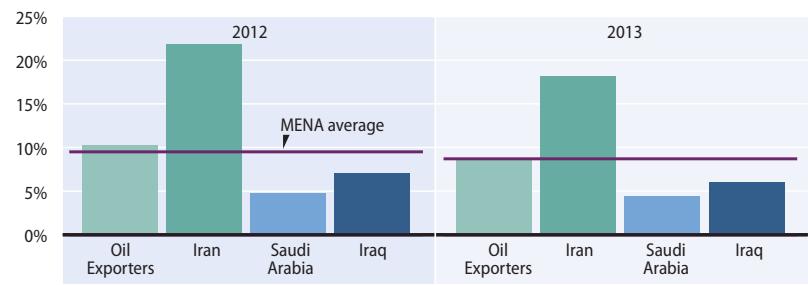
Iraq increased its crude oil exports—and receipts—to post-2003 record levels this quarter.

**FIGURE 4.11  
PROJECTED GDP GROWTH AND INFLATION, SELECTED MENA ECONOMIES**  
Annual % change

### Real GDP Growth Projections



### Inflation Projections



Note: MENA includes Bahrain, Libya, Oman, Yemen, Iran, Saudi Arabia, Algeria, the United Arab Emirates, Qatar, Kuwait, Iraq, and Sudan.

Source: IMF, "World Economic Outlook," 4/2012, p. 72, [www.imf.org/external/pubs/ft/weo/2012/01/pdf/text.pdf](http://www.imf.org/external/pubs/ft/weo/2012/01/pdf/text.pdf), accessed 5/10/2012.

**23%** of Iraqis aged 15–24 were unemployed—more than twice the figure for older age groups.

dollars from Iranian and Syrian merchants who came to Baghdad for hard currency because of sanctions and unrest in their home countries. At one point, the street exchange rate topped 1,300 dinar per dollar.<sup>425</sup>

- **Unemployment.** Significant discrepancies continue to exist between GOI official unemployment rates of 12%–15% and far-higher non-GOI estimates. The Iraq Knowledge Network survey, taken in early 2011, found that 23% of Iraqis aged 15–24 were unemployed—more than twice the figure for older age groups.<sup>426</sup>
- **Stock Exchange.** Investment analysts blame political uncertainty and a perception of government gridlock for the Iraq equity market's lack of growth this quarter. As Figure 4.12 shows, the Iraq Stock Exchange (ISX) index remained essentially flat. The index stood at 1,321 at the end of June, 15 points below its level of early April. In May and June, foreign investors accounted for only 3% of all trades—the lowest two-month foreign participation rate in two and a half years. Between mid-2010 and the end of 2011, foreigners' share in total trading volume tended to fluctuate in the 8%–16% range.<sup>427</sup>

- **Debt and Reserves.** The GOI continued its payment of war reparations related to Saddam Hussein's 1990 invasion of Kuwait with a transfer of \$1.02 billion to Kuwait. Iraq has now paid a total of \$36.4 billion to more than one hundred governments and international organizations for distribution to 1.5 million claimants. Just over \$16 billion in claims remain to be paid, mainly to Kuwaiti claimants. Even with these payments, Iraq's hard currency reserves held by the CBI rose from \$58 billion to \$63 billion during the first half of 2012.<sup>428</sup>

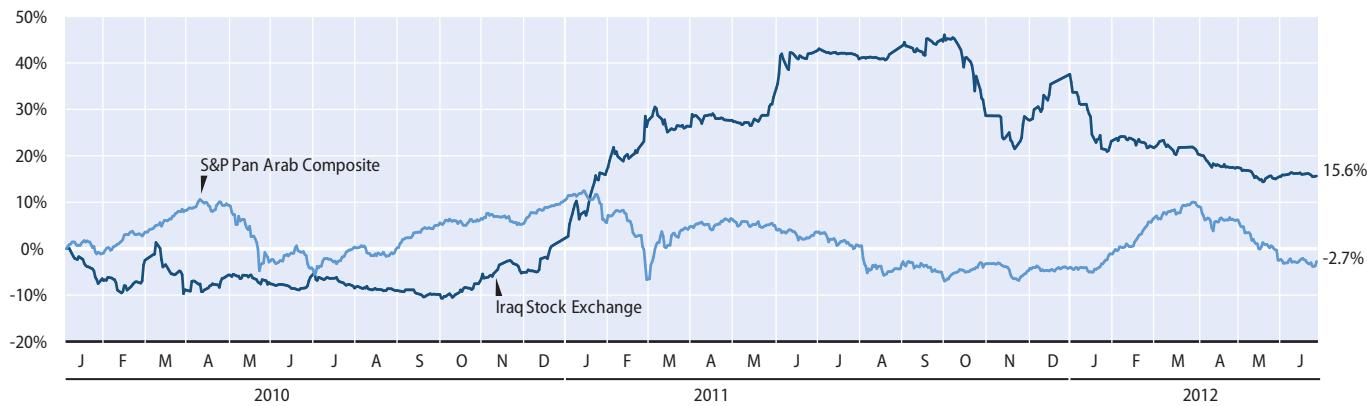
## Oil and Gas

The GOI-KRG dispute over control of oil exploration and extraction in the Kurdistan Region escalated further this quarter, clouding the outlook for Iraq's oil and gas sector. The heightened tensions reduced the prospects for compromise on long-delayed legislation setting basic rules for the petroleum sector and resurrected fundamental questions about both revenue sharing and the division of powers between Baghdad and Iraq's provincial and regional governments. Both GOI and

FIGURE 4.12

### IRAQ STOCK EXCHANGE VS. S&P PAN ARAB COMPOSITE INDEX, 1/2010–6/2012

% Change



Note: The S&P Pan Arab indices include stocks from listed companies in the countries of Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Qatar, Saudi Arabia, Tunisia, and the United Arab Emirates.

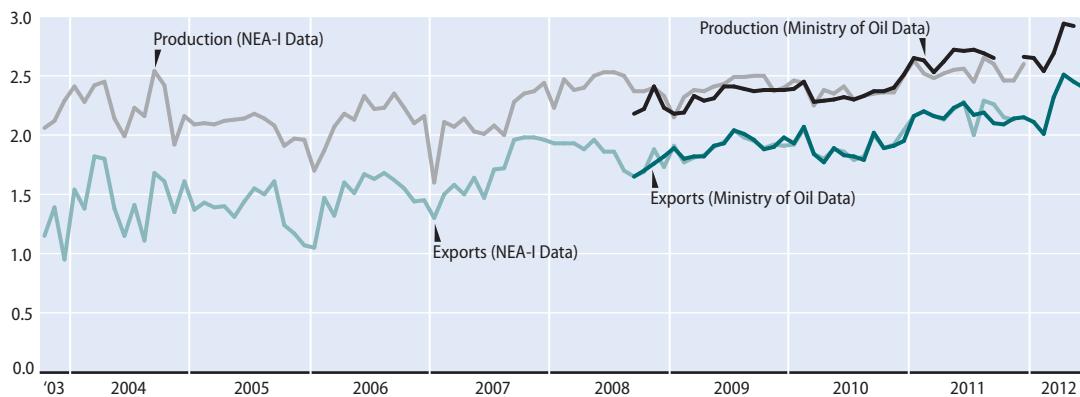
Sources: Standard & Poor's, "S&P Pan Arab-Indices," 12/2010, [www.standardandpoors.com](http://www.standardandpoors.com), accessed 10/4/2011; Standard & Poor's Indices Client Services, information provided to SIGIR, 4/7/2011, 7/18/2011, 10/3/2011, 1/3/2012, 4/3/2012, and 7/2/2012; Iraq Stock Exchange, "Indices," [www.isx-iq.net/isxportal/sectorProfileContainer.html?sectorId=1](http://www.isx-iq.net/isxportal/sectorProfileContainer.html?sectorId=1), accessed 7/3/2012.

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FIGURE 4.13

## CRUDE OIL PRODUCTION AND EXPORTS, BY MONTH, 10/2003–6/2012

MBPD



Note: In previous Quarterly Reports, the data that SIGIR reported on crude oil production and exports was obtained from NEA-I. Because NEA-I is no longer able to provide that data, SIGIR is now using data reported by the Ministry of Oil. Both sets of available data are shown in this figure. Exports include crude oil from the Kurdistan Region; production figures do not.

Sources: NEA-I, responses to SIGIR data calls, 6/4/2010, 7/6/2010, 1/11/2011, 4/5/2011, 7/7/2011, 10/17/2011, and 1/6/2012; GOI, Ministry of Oil, "Domestic Consumption," [oil.gov.iq](http://oil.gov.iq), accessed 4/23/2012 and 7/23/2012.

KRG officials cite the nation's 2005 constitution to support their claim to control the sale of crude oil in the Kurdistan Region.<sup>429</sup>

To protest what it said has been a lack of reimbursement from the GOI for earlier exports of oil from the Kurdistan Region, the KRG this quarter provided none of the 175,000 barrels per day of crude oil exports it had committed to earlier this year. The Kurds reportedly also began blocking the import of oil-field equipment entering Iraq from the north on its way to Iraq's large southern fields. International oil companies had begun importing goods through the Kurdistan Region to avoid long delays at the country's major seaport of Umm Qasr in the south. For its part, the GOI reportedly moved to block shipments into the Kurdistan Region of oil products refined in the south.<sup>430</sup> Collectively, these and other developments appeared to make CoR passage of hydrocarbon legislation acceptable to both sides increasingly unlikely in the short term.<sup>431</sup>

### Crude Oil Production and Development

Oil production for April and May averaged 2.93 million barrels per day (MBPD), an increase of almost 10% from the same two-month period

TABLE 4.5  
CRUDE OIL PRODUCTION IN SELECTED MAJOR FIELDS IN 2009, CURRENT, AND 2012 TARGET

OIL FIELD	OPERATORS	MINIMUM RESERVES (Billion Barrels)	2009 PRODUCTION (BPD)	CURRENT PRODUCTION (BPD)	2012 TARGET (BPD)
Al-Rumaila	bp CNPC	17.0	1,100,000	1,400,000	1,600,000
West Qurna-1	EXXON Shell	8.5	244,000	400,000	500,000
Kirkuk <sup>a</sup>	NOC	8.7	400,000	260,000	N/A
Al-Zubair	Eni OXY	7.9	184,000	250,000	350,000
Majnoon	PETRONAS Shell	11.0	45,000	54,000	175,000
Halfaya	PETRONAS TOTAL	4.1	none	70,000	100,000
West Qurna-2	LUKOIL	12.9	none	Drilling started	N/A

<sup>a</sup> Operator is state-owned North Oil Company; 2009 production is 2007–2008 estimate.

Sources: U.S. Chamber of Commerce/Dunia Frontier Consultants, "Investing in Iraq," 5/2012, p. 11; *Iraq Oil Report*, "\$39 billion in Oil Revenue Through May, Though Exports Drop," 6/4/2012; MEES, *Weekly Report*, Vol 55 No 9, 2/27/2012, p. 5; GOI, Ministry of Oil, "Domestic Consumption," [oil.gov.iq/moo/domestic.php?lang=en&page\\_name=domestic&id=21](http://oil.gov.iq/moo/domestic.php?lang=en&page_name=domestic&id=21), accessed 7/7/2012.

in 2011 and nearly 12% above the production rate in the first quarter of 2012. It marked the highest output since 2003, yet still fell short of the Ministry of Oil's 3.0 MBPD average production target for 2012.<sup>432</sup> Figure 4.13 shows Iraq's crude oil production and export levels since 2003.

The record output this quarter was driven by sharp increases from the southern fields that were enough to offset production declines in the north around Kirkuk.<sup>433</sup>

Al-Rumaila field in Basrah province, operated by BP and the China National Petroleum Corporation, remained Iraq's single largest producing field, contributing 1.4 MBPD—nearly half of Iraq's total output and more than three times that of any other field in Iraq. Output from other large southern fields, including ExxonMobil's West Qurna-1 also

continued to rise this quarter, while Russia's Lukoil announced it had begun production drilling the West Qurna-2 field. In mid-June, French oil company Total said it had begun production at the Halafaya field in southern Iraq and planned to reach an output of 70,000 barrels per day (BPD) by mid-July (above the 60,000 BPD initial production target).<sup>434</sup> See Table 4.5 for a comparison of 2009 production, current production, and 2012 targets.

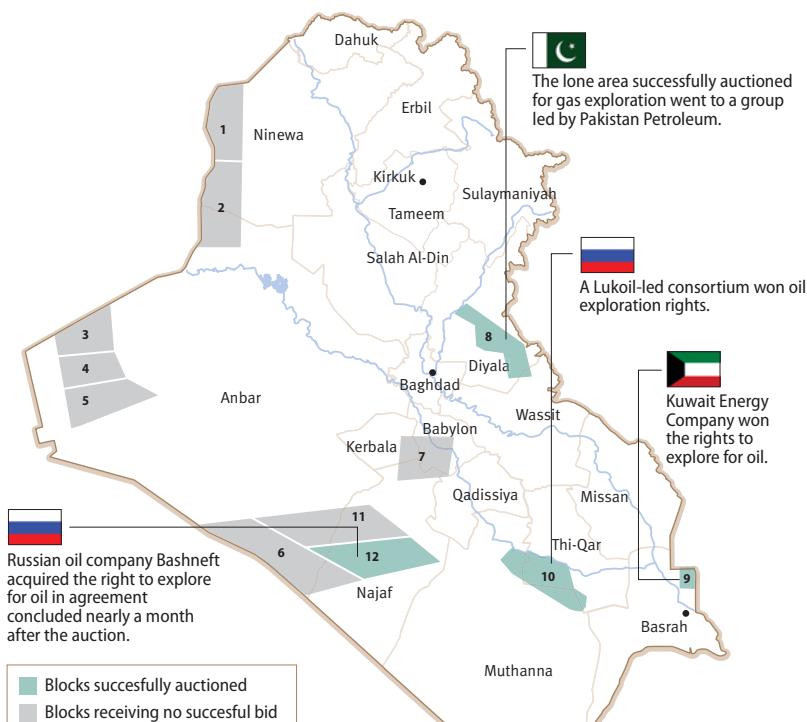
Amid these production increases, the GOI has begun to renegotiate contracts signed in 2009 that required operators to make accelerated production benchmarks now widely seen as overly ambitious and unnecessarily costly. Shell, the lead operator for the Majnoon field was negotiating with the Ministry of Oil to lower its peak production target by nearly half, from 1.8 MBPD to 1.0 MBPD—a level that would enable it to extend peak production from 7 to 20 years. According to industry analysts, such an adjustment would save the field's operators about \$10 billion in development costs over the life of the contract. Similar negotiations are underway with other southern field operators. A senior GOI official this quarter reportedly said that production of 9.5 MBPD by 2017 was the preferred target, adding that Iraq would be unable to produce more than 4.5 MBPD by the end of 2014.<sup>435</sup>

#### Fourth and Fifth Licensing Rounds

The long-awaited fourth petroleum licensing round conducted May 30–31, 2012 in Baghdad generated successful bids for just 3 of the 12 exploration blocks offered. Only 39 of 48 individual companies and groups initially pre-qualified to bid by the GOI decided to participate. Eleven of those companies generated just seven bids. A month following the auction, the Ministry of Oil announced it had struck a deal for exploration of one additional block. In a round designed to generate more exploration for natural gas, only one of the four agreements was for a field designated potentially viable for gas. Figure 4.14 shows the locations of the blocks offered, including the four where deals were struck.<sup>436</sup>

**Al-Rumaila remained Iraq's single largest producing field.**

**FIGURE 4.14**  
**FOURTH LICENSING ROUND RESULTS**



**Source:** Information provided by the Ministry of Oil's Petroleum Licensing and Contracts Directorate for MEES, Weekly Report, Vol. 55 No. 23, 6/4/2012, p. 3.

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The fourth round also did not meet its goal to spread Iraq's petroleum wealth beyond the oil-rich southeast and Kirkuk areas, with three of the four fields awarded located in the southeastern quadrant of the country. No successful bid was received for any of six large gas exploration blocks offered in northern and western Iraq. The chairman of the Prime Minister's Advisory Commission (and former Minister of Oil) Thamer Ghadban suggested that the fourth round's mixture of oil and gas blocks plus the proximity of several blocks to the political unrest in neighboring Syria combined to dampen bidding.<sup>437</sup> The Ministry of Oil later announced that the state-run Company for Oil Exploration would begin work in blocks for which there were no winning bids.<sup>438</sup>

The Ministry of Oil also announced it would prepare for a fifth bidding round to offer 10 to 15 of the 60-plus exploration blocks it said were ready for auction. Ghadban later said a fifth round would offer only gas fields and would likely take place in late 2012 or early 2013.<sup>439</sup>

## Crude Oil Exports and Capacity Expansion

The Ministry of Oil reported that crude oil exports averaged 2.45 MBPD this quarter—14% more than last quarter's average daily exports. It also marked a 11% increase over the same period in 2011. Although exports for the quarter were below the 2.60 MBPD average for the year assumed in the GOI's 2012 budget, higher market prices than projected during this period generated receipts that were ahead of budget estimates.<sup>440</sup>

Exports from Iraq's southern fields rose in March and April 2012 after two new single-point mooring stations (SPMs) off al-Faw Peninsula came on line. Completion of a new onshore pipeline system that ties pumping hubs near al-Zubair with al-Faw loading facilities eased one export bottleneck this quarter, although other problems remained. Weaknesses in onshore pumping and pipeline infrastructure prevent the two completed SPMs from

operating simultaneously—effectively reducing the 850,000–900,000 barrel-per-day nameplate capacity of each by half.<sup>441</sup>

The Ministry of Oil this quarter began implementing debottlenecking measures proposed by U.S. officials at an April 2012 meeting of the U.S.-Iraq Energy Joint Coordinating Committee in Washington. They identified infrastructure improvements at al-Basrah Oil Terminal, upgrades to the Zubair 2 pumping station, and construction of the Common Seawater Supply Project as priorities.<sup>442</sup>

Aside from officially documented exports, there are reports that crude oil is being smuggled in significant volumes by truck from the Kurdistan Region to Iran. Iraq's increase in official exports also came as the contribution from the large northern field around Kirkuk field continued to fall. Coupled with the rise of exports in the south, the contribution of northern fields to Iraq's total exports has dropped from 22% in October 2011 to 13% in June.<sup>443</sup>

## Pipelines

Iraq's effort to upgrade its aging export pipeline network continued this quarter, with the GOI awarding three large contracts:<sup>444</sup>

- Italian contractor Progetti Europa & Global will install Siemens gas-powered turbo pump sets at a new pumping station at Habaniya, about 40 miles west of Baghdad. The pumps will enhance the flow of crude oil on the main north-south Strategic Pipeline that links Iraq's large southern fields with northern export routes through Turkey to the Mediterranean port at Ceyhan.
- A 25-year contract valued at \$198 million was awarded to India's tubular steel product manufacturer Jindal SAW to build and operate a pipeline manufacturing plant in southern Iraq.
- A 35-year, \$86 million contract was awarded to an affiliate of the Danish construction company Phoenix International to build and operate a pipeline manufacturing plant at Umm Qasr.

Weaknesses in onshore pumping and pipeline infrastructure prevent the two completed SPMs from operating simultaneously.

The KRG announced plans this quarter for construction of a 400,000 BPD crude oil pipeline from the Kurdistan Region's Taq Taq field to the Khurmala oil depot. From Khurmala, oil would reach the main GOI-controlled Ceyhan export pipeline via an existing link. A second pipeline with a capacity of 1 MBPD would run north from Khurmala and tie into the Ceyhan route at Iraq's border with Turkey. KRG representatives also discussed a new politically sensitive export route that would link the Region's major oil fields directly to Turkey without crossing Iraqi territory outside the Kurdistan Region. Plans for this 1 MBPD pipeline, which once inside Turkey would tie into a pipeline parallel to the existing Iraq-Ceyhan line, were discussed at a conference in Erbil attended by the Turkish Minister of Energy.<sup>445</sup>

### Refineries and Petroleum Products

This quarter, Iraq failed to attract international investors to build any of four long-planned new oil refineries. So far, enticements, including discounts to the refinery operator on crude oil supplies of up to \$5 per barrel, have produced no deal. A conference this quarter in London for potential investors also brought no immediate breakthrough. The GOI is now studying an alternative approach that would enable a contractor to recoup investment costs in about five years—the international norm—rather than the 30–35 years that would be required under the current crude-oil discount plan.<sup>446</sup>

Both Royal Dutch Shell and Chevron Phillips Chemical Company signed agreements with the GOI this quarter to study the feasibility of building major petrochemical plants in southern Iraq. The plants would take advantage of the large crude oil and associated natural gas supplies in the area to produce industrial chemicals that in turn serve as raw material for plastics and other commonly used consumer products.<sup>447</sup>

### OPEC

Iraq this quarter appeared to support Iranian efforts within the Organization of the Petroleum



As President of OPEC, Minister of Oil Abdul-Kareem al-Luaibi (left) presided over the organization's June 2012 meeting in Vienna. At right is OPEC Secretary General Abdalla Salem El-Badri of Libya. (AP photo)

Exporting Countries (OPEC) to reduce production quotas of member countries in order to strengthen the global price of crude oil. Saudi Arabia opposed such a move. Differences among OPEC members over how best to respond to falling crude oil prices amid slackening global demand led to a postponement in selecting the organization's next secretary general. Iraq's Former Minister of Oil Ghadban is one of four candidates for the job. Iraq's current Oil Minister, Abdul Kareem al-Luaibi, serves as OPEC's president. Iraq has been exempt from OPEC quotas since 1990. Ghadban indicated this quarter that no new production quota for Iraq was imminent.<sup>448</sup>

### Natural Gas

Iraq produced an average of 1,756 million cubic feet per day (MCFD) of natural gas during the first two months of the quarter—1,292 MCFD in the south and 464 MCFD in the north. However, Iraq also set a record this quarter by flaring more than 1,000 MCFD. The additional flared gas came from the Halfaya field, which produced 70,000 BPD of crude oil this quarter in the first phase of its development. On average, Iraq flared 1,167 MCFD of gas during the first two months of the quarter. The majority of the gas flared—945 MCFD—came out of the southern oil fields.<sup>449</sup>

Iraq prepared to finalize an agreement with Iran this quarter to purchase nearly 900 MCFD of natural gas over a five-year period. The gas will

Royal Dutch Shell and Chevron Phillips Chemical Company signed agreements with the GOI this quarter to study the feasibility of building major petrochemical plants in southern Iraq.

be delivered to two power plants in the Baghdad area via a 220-mile pipeline already under construction. More than half the pipeline length will be within Iraq, transiting Diyala province to Baghdad.<sup>450</sup>

Also this quarter, Turkey said it was interested in importing associated natural gas from oil fields in both the Kurdistan Region and other parts of Iraq when it became available. KRG Natural Resources Minister Ashti Hawrami said he expected natural gas to begin flowing to Turkey within two years. He reportedly told a meeting in Istanbul that the KRG would not wait for an agreement with the GOI to begin gas exports, but added that revenue from the sale of such gas would not be only for the KRG but for “all Iraqi people” according to the constitution.<sup>451</sup>

The \$17 billion-plus Shell-led project to capture much of the associated gas currently flared at al-Rumaila, West Qurna-1, and al-Zubair fields moved forward this quarter. More than 40 contracts related to the project have been signed so far, with another 10 prepared for tender. Site preparation work is also underway for construction of a large natural gas liquids plant.<sup>452</sup>

## Developments in Non-hydrocarbon Sectors

### National Development Plan

The GOI this quarter began the process of creating its next National Development Plan, which will cover the years 2013–2017. The plan’s overarching goal will be to diversify an economy that today is driven almost exclusively by crude oil income. Significant elements of the current plan, *National Development Plan (2010–2014)*, addressed this challenge, but so far there has been little progress.

At an inaugural meeting in Baghdad, Minister of Planning and Development Cooperation Ali Yousif al-Shukrie noted that the new plan required

an effective partnership between the public and private sectors of the economy to attain its goals. He cautioned that, if private Iraqi capital continued to flow to neighboring countries because of an adverse investment climate at home, the GOI would need to step in to finance the development of manufacturing. He added that planners also needed to take into account Iraq’s population growth of 2.8% per year as they developed new goals.<sup>453</sup>

### Communications

There was little reported movement this quarter regarding two important developments in the communications field.<sup>454</sup>

- Initial public offerings (IPOs) on the Iraq Stock Exchange by the three mobile telephone service providers operating in the country, originally expected around mid-2012, did not take place. However, analysts believed that at least two providers—Asiacell and Zain—were positioned to carry out their IPOs before the end of 2012. Iraq is currently viewed as one of the least-developed national markets in the Middle East, with significant potential for growth. Zain calculated average monthly revenue per user in Iraq at \$11, lowest among five Middle Eastern countries surveyed and less than one-quarter that of the \$45 per user in Kuwait.
- Minister of Communications Mohamad Tawfiq Allawi reaffirmed plans to prepare for the auction of a fourth mobile-telephone license around “mid-year.” Initial plans had called for the auction by the end of 2011.

This quarter, India-based communications service provider Reliance Globalcom and the GOI’s Postal and Telecommunications Company activated a major subsea cable that links Iraq with other countries in the Middle East and, through them, to the rest of the world. The undersea cable was connected to Iraq’s domestic telecom network at al-Faw. It is expected to improve both broadband and high-speed Internet services in the country. Although the cable has the ability to handle up

The GOI this quarter began the process of creating its next National Development Plan, which will cover the years 2013–2017.

to 680 gigabits per second (Gbps) of data, only 50 Gbps of this capacity had been activated as of July 2—enough to handle the demand in Iraq, where broadband penetration is still low. In an effort to encourage more of the country's population to go online, the Ministry of Communications this quarter announced plans to reduce subscriber costs for Internet users by up to 70%.<sup>455</sup>

## Transportation

**The Ministry of Transportation tendered the first major contract for construction of the \$6 billion al-Faw port this quarter.**

### Ports and Railroads

The Ministry of Transportation tendered the first major contract for construction of the \$6 billion al-Faw port this quarter. The contract calls for a 5-mile rubble-mound breakwater, a 260-foot floating pier, and two 80-foot temporary jetties. The new port is expected to be one of the largest in the Persian Gulf area, capable of easing congestion at Umm Qasr, Iraq's current main port. GOI planners say al-Faw will be able to handle 5,000 to 6,000 ships annually, including the world's largest vessels. By comparison, Umm Qasr handled an

average of about 300 vessels per year between 2003 and 2009.<sup>456</sup>

Al-Faw port plays a central role in the GOI's long-term vision of positioning Iraq as a preferred transit point on one of the world's busiest trade routes connecting East Asia with Europe (see Figure 4.15). A north-south rail and highway route running the length of Iraq, sometimes referred to by planners as a "dry canal," would connect al-Faw with other transit points along routes to Europe.<sup>457</sup>

As part of this vision, the NIC worked this quarter with the Ministry of Transportation to develop a Railway Master Plan that includes more than 1,200 miles of new or upgraded rail lines and will require billions of dollars in new construction and equipment to complete. The plan is scheduled for completion next quarter. The upgrade would help revive a system largely neglected since the 1980s. The centerpiece of this work is a major new north-south rail link for both freight and passenger traffic that would connect Basrah in the south with Iraq's northern railhead at the border with Turkey.<sup>458</sup>

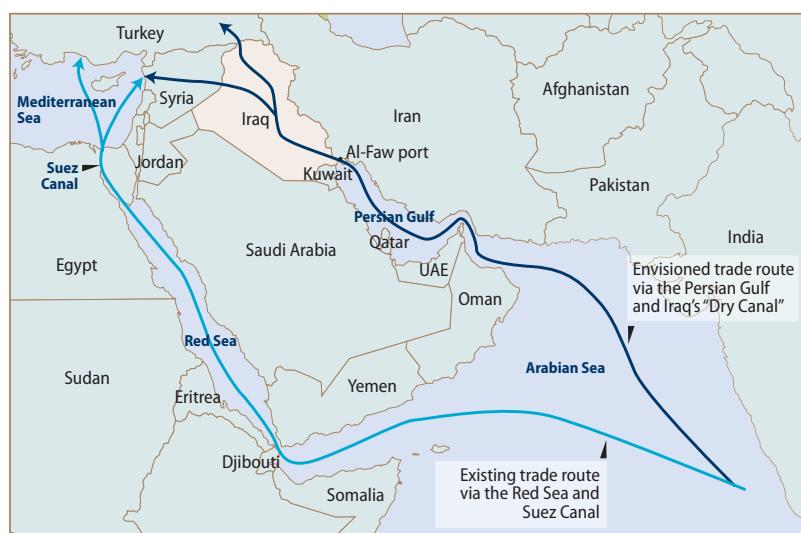
### Aviation

This quarter, the GOI announced plans to loan Iraqi Airways \$300 million to upgrade its fleet with Airbus A320 and A321 aircraft. The decision followed settlement of a \$1 billion claim against the airline stemming from Saddam Hussein's 1990 invasion of Kuwait and his regime's subsequent theft of 10 Kuwait Airways aircraft. The Kuwaiti claim prevented the Iraqi airline from owning planes it flew on routes outside the country for fear they would be impounded. Iraqi Airways already owns short-haul Bombardier CRJ900 aircraft and has Boeing 787 and 737 planes on order.<sup>459</sup>

### Finance

Efforts to restructure and clear balance sheets at two major state-owned Iraqi banks remained stalled, as have U.S.-supported efforts to develop the country's privately owned financial sector.

**FIGURE 4.15  
EXISTING AND PROPOSED TRADE ROUTES LINKING EAST ASIA WITH EUROPE**



Source: GOI, NIC, "Investment Opportunities for the Iraqi Ministry of Transport's Companies," no date, p. 42, [www.investpromo.gov.iq/tl\\_files/trasnport\\_invest\\_min\\_op.pdf](http://www.investpromo.gov.iq/tl_files/trasnport_invest_min_op.pdf), accessed 6/13/2012.

# DEVELOPMENTS IN IRAQ

There has been little progress in GOI efforts to create a financial sector led by strong private-sector banks—a model it committed to in the International Compact for Iraq, its 2007 agreement with the international community. Instead, the GOI seems to prefer a centrally run system it can more easily control.<sup>460</sup>

Iraq's private-sector banks, which collectively account for less than 15% of the country's banking activity, remained relatively small players, with many of them hard-pressed to meet more robust capital requirements. Of the 21 private banks listed on the ISX, about one-third were expected to reach the CBI's target of having 150 billion dinar (\$128 million) in capital reserves by the June 30, 2012, deadline. As a final strengthening step, private banks must possess reserves of 250 million dinar (\$214 million) by June 2013.<sup>461</sup>

The large debt load and inefficient banking practices prevent government-owned Rafidain and Rasheed banks from playing a significant role in financing major development projects. The CBI estimates that together the two banks have deposits of about 36 trillion dinar (\$33 billion), roughly a third of which are GOI ministry deposits. The rest belong to other public-sector entities. The result of this is that the two banks have huge deposits but little liquidity—and thus little lending power.<sup>462</sup>

Financial restructuring at the two banks remains incomplete, with the removal of Saddam-era bad loans and the effects of improper accounting still to be addressed. The CBI claims restructuring the balance sheets is politically difficult because the banks contain large sums of corrupt money. A GOI plan to infuse Rafidain Bank with 400 billion dinar and Rasheed with 300 billion dinar in new capital, while at the same time working to liquidate debt, has reportedly met with "hidden resistance" despite pressure from the IMF and others outside of Iraq.<sup>463</sup>

## SOE Reform

Those involved with a 2010 GOI plan to reform the country's state-owned enterprises (SOEs) this quarter reported that there has been limited progress. *The Roadmap for Restructuring State Owned Enterprises in Iraq*, which outlined the GOI's plan for SOE reform, falls under the Prime Minister's Task Force for Economic Reform. However, the task force has no permanent staff and has therefore been unable to fully engage in the reform process with international entities also working on the issue. The reform strategy is predicated in part on finding internationally competitive companies to partner with SOEs, a move that offers foreign companies access to the Iraqi market and the SOEs access to modern technology and business practices. But the antiquated condition of most state enterprises—which struggle with obsolete equipment, large payrolls, and non-competitive business practices—have made such joint ventures difficult to forge. The GOI currently devotes 3%–4% of its annual budget for subsidies to keep the SOEs afloat, most of it to pay the 600,000-plus SOE employees. Business specialists have concluded that about 60% of this work force is redundant.<sup>464</sup>

The Ministry of Industry and Minerals, which controls the single largest number of SOEs (about 70), is actively reforming its enterprises and searching for private partners. The CoR is currently considering draft legislation to support private-sector partnerships. Table 4.6 lists partnership agreements signed and under study among the SOEs in this ministry.<sup>465</sup>

Hoping to take advantage of an impending housing construction boom that could include 1 million–1.5 million low-income units, the World Bank has encouraged the Ministry of Construction and Housing SOE known as al-Mansour to search for a private-sector partner and narrow its market focus to specialize solely on low-income housing. The ministry has launched its own initiative to make its eight SOEs competitive by transferring surplus workers to an internal department of excess

A GOI plan to infuse Rafidain Bank with 400 billion dinar and Rasheed with 300 billion dinar in new capital has reportedly met with "hidden resistance."

TABLE 4.6

**PRIVATE-ENTERPRISE PARTNERSHIPS WITH MINISTRY OF INDUSTRY AND MINERALS SOEs, AS OF 6/2012**

	IRAQI SOE	PRIVATE SECTOR PARTNER	JOINTLY HELD PARTNERSHIP	CONTRACT DURATION (YEARS)
<b>Signed Contracts</b>	Iraqi General Company for Cement	Al-Misrh Company	Al-Qaim Cement Plant	15
	Iraqi General Company for Cement	Al-Time Company, IM Consulting Company, and Michelle Peter	Falluja Cement Plant	15
	Iraqi General Company for Cement	Al-Raudh Company, Kawski Company, and Mourini Company	Kabaisa Cement Plant	15
	Southern General Company for Cement	Al-Ruad Company and Lafarge (France)	Kerbala Cement Plant	15
	Northern General Company for Cement	Turkish Family Company and Austroplan Engineering Company	Sinjar Cement Plant	15
	Northern General Company for Cement	Al-Hagerah Company and Muruebena Company (Japan)	Plant of Northern General Company for Cement	15
<b>Contracts under Consideration</b>	Hamam al-Alil	Turkish Partner Technic (Specializing in cement industry)	–	15
	Badush Cement Plant	Mowher Turkish	–	15
	Sudh Cement Plant	Turkish Anta and Aurban/al-Mantah company	–	15
	General Company for Iron and Steel	Turkish UB Holding	–	21
	Al-Muthanna	Turkish Partner Technic	–	14
	Ninewa Pharmaceuticals and Samarra	Munir Sakhtian (Jordan)	–	18

Source: GOI, MIM, information provided to SIGIR, 6/2012.

labor, where they are offered either retraining courses or early retirement.<sup>466</sup>

### Agriculture

Early this quarter, the USDA's Foreign Agricultural Service forecast Iraq's winter wheat harvest for the 2012–2013 crop-marketing year would be 2.18 million metric tons (MMT), roughly the same yield as last year, with increased planting in areas of irrigation-fed crops compensating for lower yields in northern areas where the crops are rain-fed. To meet domestic demand, the GOI was expected to import 3.95 MMT—nearly twice its domestic production. (The United States, which is a major wheat exporter, was excluded from bidding on a GOI wheat tender in January 2012 and failed to win subsequent tenders.) Iraq's barley crop was forecast at 710 MMT, down slightly from last year.<sup>467</sup>

This quarter, the GOI removed some of the many obstacles inhibiting private investment.

### Trade and Investment

Microsoft announced this quarter that it has established a presence in Iraq, partnering with the Baghdad-based al-Astura (Legend Land Co.), which expects to provide both products and technical support to GOI and private-sector Microsoft users. Public comments by al-Astura indicated the move would position Microsoft to better support Iraq's economic development, but had the additional goal of addressing software piracy in a country where bootleg copies of Microsoft products are sold for a fraction of their legal counterparts.<sup>468</sup>

This quarter, the GOI removed some of the many obstacles inhibiting private investment:<sup>469</sup>

- A law regulating the minimum size of family dwellings has been eased to permit housing units under 2,900 square feet to be built in non-urban areas.
- The NIC is working to bring greater clarity to land ownership in a country where property has often been seized arbitrarily over the past century.

## DEVELOPMENTS IN IRAQ

- Restrictions on foreigners investing directly in Iraqi hospitals have been removed, enabling non-Iraqis to contract with the GOI to both invest in and administer hospitals in the country.

The NIC expects the level of capital investment with foreign participation to top \$100 billion in 2012—roughly double the 2011 level. As commercial opportunities begin to expand, some U.S. companies that had previously sent only promotional materials to trade shows have reportedly become more active in searching for agents to represent them. Hiring an agent is a significant commitment in Iraq because it requires the business to register with the government and pay tax to the GOI. The shift, which a U.S. official called “a turning point,” is believed to be related to improved security conditions, expanding business opportunities, and a decision by some U.S. contractors already in Iraq to search for Iraqi business partners as work opportunities with the U.S. government decrease. The U.S. Business Council in Iraq, a group that supports U.S. companies with a presence in the country, this quarter increased its membership from 11 to 15.<sup>470</sup>

Excluding military sales, Iraq was the 58th largest export market for the United States in 2011, up from the 64th largest in 2010. During the same period, U.S. exports to Iraq rose nearly 50% to \$2.4 billion.<sup>471</sup> By contrast, under the Foreign Military Sales (FMS) program, the GOI share of deliv-



Artist rendering of the \$8 billion satellite town planned for Besmaya. (Hanwha illustration)

eries and commitments to purchase U.S. military goods and services in 2012 totaled \$2.9 billion.<sup>472</sup>

The GOI this quarter broke ground on a seven-year project to build a satellite town with 100,000 housing units near Besmaya, southeast of Baghdad. Expected to cost \$8 billion, it is one of the largest undertakings of its kind in the post-2003 period and the most ambitious government effort to address a housing shortage that is especially acute for low-income families. More than 150 international companies participated in the two-year preparatory work for the project. The lead contractor is South Korea’s Hanwha Engineering & Construction.<sup>473</sup> ♦

Excluding military sales, Iraq was the 58th largest export market for the United States in 2011.

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SECTION

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5

## SIGIR AUDITS

Since March 2004, SIGIR has issued 214 audit reports. From May 1 to July 30, 2012, SIGIR issued four audits addressing the following reconstruction issues:

- SIGIR's forensic audits of more than \$51 billion appropriated for Iraq reconstruction
- the status of obligations and expenditures of the Iraq Security Forces Fund (ISFF)
- the extent to which the business systems of contractors in Iraq were assessed
- the status and viability of the Department of State (DoS)-managed Iraq Police Development Program (PDP)

For a list of these audit products, see Table 5.1.

SIGIR currently has four announced or ongoing audits, and others are expected to start this quarter. SIGIR performs audit work under generally accepted government auditing standards.

### SIGIR Audits Completed This Quarter

#### *Final Forensic Audit Report of Iraq Reconstruction Funds (SIGIR 12-017, 7/2012)*

#### Introduction

Public Law 108-106, as amended, requires SIGIR to perform forensic audits and issue a final report on all funding appropriated for the relief and reconstruction of Iraq. A forensic audit involves the systematic examination of a program's internal controls over expenditures and financial data for indications of fraudulent, wasteful, or abusive activities. This report summarizes the results of SIGIR's forensic audits and investigations of five major Iraq reconstruction funds—the Iraq Relief and Reconstruction Fund (IRR), Iraq Security

TABLE 5.1  
SIGIR AUDIT PRODUCTS SINCE 5/1/2012

REPORT NUMBER	REPORT TITLE	DATE ISSUED
12-017	Final Forensic Audit Report of Iraq Reconstruction Funds	7/2012
12-018	Status of Fiscal Years 2011–2012 Iraq Security Forces Fund	7/2012
12-019	Gaps in Business System Reviews of Contractors with Generally Less Than \$100 Million Annually in Contracts in Iraq Increase U.S. Government Vulnerabilities to Fraud, Waste, and Abuse	7/2012
12-020	Iraq Police Development Program: Lack of Iraqi Support and Security Problems Raise Questions about the Continued Viability of the Program	7/2012

Forces Fund (ISFF), Economic Support Fund (ESF), Commander's Emergency Response Program (CERP), and International Narcotics Control and Law Enforcement (INCLE) account—and satisfies the requirement for a final forensic audit report.

The Congress has appropriated about \$51.46 billion to these five funds through FY 2011 for Iraq reconstruction. The funds were appropriated or allocated to the Department of Defense (DoD), DoS, and the U.S. Agency for International Development (USAID).

## Results

SIGIR audits and investigations have found serious weaknesses in the government's controls over Iraq reconstruction funds that put billions of U.S. taxpayer dollars at risk of waste and misappropriation. The precise amount lost to fraud and waste may never be known, but SIGIR believes it is significant. As of April 30, 2012, SIGIR audit reports had questioned \$635.8 million in costs, and as of March 31, 2012, SIGIR investigations had resulted in \$175.3 million in fines collected, forfeitures, and other monetary results.

SIGIR audit reports identified internal control weaknesses such as inadequate reviews of contractors' invoices, insufficient numbers of or inadequately trained oversight staff, poor inventory controls, high staff turnover, poor recordkeeping, insufficient price competition by subcontractors, and weak oversight of cash disbursements. For example, SIGIR's audit of a DoS contract for Iraqi police-training program support found that more than \$2.5 billion in U.S. funds was vulnerable to fraud and waste as a result of poor DoS oversight. Another SIGIR audit of a DoD contract for warehousing and distribution services found that the contractor's business systems had not been adequately reviewed. Business system reviews are the government's primary control to ensure that prices paid are reasonable and allowable.

Weaknesses in internal controls open the door to opportunities for fraud and other illegal activities. As of June 30, 2012, SIGIR investigators, working with investigators from other agencies, have developed information used to indict 87 individuals and convict 71 for fraudulent activities including bribery, kickbacks, theft of government funds and property, inflated invoices, delivery of insufficient or inferior goods, and bid rigging. For example, a U.S. Army captain was convicted of stealing \$690,000 intended for security contracts and relief and reconstruction programs. In another case, a regional vice president of a logistics company was convicted for a scheme to inflate invoices for military shipments to Baghdad through the firm's contract. The estimated loss to the U.S. government was approximately \$1 million.

SIGIR found few problems in the agencies' invoice payment processes. SIGIR tested 180,000 DoD, DoS, and USAID payment transactions totaling about \$40 billion. SIGIR looked for problem transactions such as duplicate payments, payments to fictitious vendors, or inappropriate separation of duties of individuals in the payment process. Overall, SIGIR's tests found that once invoices were approved for payment, the payments were essentially processed correctly and to valid vendors. However, because of the internal control weaknesses discussed above, government agencies cannot be certain that the payments were for goods and services that (1) were received, (2) met contractual specifications, (3) were in accordance with the contract prices, or (4) were competitively priced.

## Recommendations

This report contains no recommendations.

## Management Comments

Management did not provide comments. The final report can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## ***Status of Fiscal Years 2011–2012***

### ***Iraq Security Forces Fund***

(SIGIR 12-018, 7/2012)

#### **Introduction**

As of July 2012, the Congress had appropriated \$20.54 billion to the ISFF. This includes \$1.50 billion the Congress appropriated in April 2011 for use in FY 2011 and FY 2012. For each ISFF appropriation, the Congress made the funds available for specified periods between 12 and 19 months during which time the funds would have to be obligated. Any funds not obligated within the designated period would be considered expired and, therefore, not available for new obligations. However, unobligated funds can be used for up to five years after they expire to pay for authorized increases to existing obligations made from the same appropriation. Any unobligated funds remaining after the five-year period must be returned to the U.S. Treasury.

In April 2012, SIGIR issued an interim report that detailed how the \$1.5 billion appropriated to the ISFF through the Department of Defense and Full-Year Continuing Appropriations Act, 2011 (Public Law 112-10) was being used to train, equip, and maintain Iraq's security forces. This report provides updated information and, in particular, addresses:

- the status of 2011/2012 ISFF obligations made as of June 26, 2012
- the Office of Security Cooperation-Iraq's (OSC-I) plan to obligate the remaining appropriated funds before they expire
- the Government of Iraq (GOI) cost-sharing contributions to these purchases

#### **Results**

OSC-I plans to use only \$1.15 billion of the \$1.50 billion appropriated for ISFF for 2011/2012 because the U.S. Forces-Iraq (USF-I) Commanding General informed the Secretary of Defense that, having reviewed the Iraq security forces requirements and other fiscal conditions, the

full \$1.50 billion was not needed, and it would be difficult to get the GOI to certify that it would sustain and maintain the equipment provided. Subsequently, DoD requested, and then received, congressional approval to reprogram \$345.0 million of the ISFF to meet the Department's higher priority needs.

As of March 20, 2012, OSC-I had obligated and committed about \$342.09 million of the \$1.15 billion ISFF on 30 purchases. By June 26, 2012, it had obligated and committed about \$765.33 million on 52 purchases. These purchases included items such as an air-defense missile system, radios, generators, ammunition, night-vision goggles, fire trucks, armored vehicles, small arms, spare parts, training, maintenance and sustainment packages, and travel, among other items. The majority of ISFF funds obligated—about \$676.97 million—has been used to support Iraq's Ministry of Defense security forces: \$404.58 million to purchase equipment, \$206.79 million to maintain equipment, and \$65.60 million for training. About \$34.15 million has been obligated to support Ministry of Interior (MOI) forces: \$30.23 million to purchase electronic surveillance equipment and training, and \$3.91 million to purchase machine guns and armored security vehicles. OSC-I plans to use the remaining \$380 million of 2011/2012 ISFF that has not yet been obligated to purchase aircraft logistics support, armored vehicles, a reconnaissance and surveillance system, training, and other items.

The sharp increase in ISFF obligations and commitments between March and June 2012 was not accompanied by similar gains in the GOI's cost-share contributions. The GOI provided about \$125.21 million on 7 of the 52 purchases made as of June 2012. These cost-share contributions ranged from 48% to 72% of the total purchase amount. However, six of these seven purchases were completed prior to March 2012, and only one purchase was completed between March and June 2012. As such, while the U.S. government obligated and committed \$423.24 million in ISFF during that three-month period, the GOI

provided only \$540,000 in counterpart funds for one purchase. According to OSC-I officials, cost sharing should be viewed as a long-term strategy. That is, the ISFF will be used to buy some items that support the GOI's purchases of other major and more expensive items.

Additionally, the FY 2011 National Defense Authorization Act limits the amount of ISFF available for obligation to \$1.0 billion of the ISFF appropriated funds unless the Secretary of Defense certifies to the Congress that the GOI has shown commitment to build the logistics and maintenance capacity of the Iraqi Security Forces, develop the institutional capacity to manage such forces, and develop a culture of sustainment of ISFF-funded equipment. At this time, SIGIR cannot determine if the Secretary has certified that these conditions exist because DoD and OSC-I officials stated that the certification process is in the "pre-decisional" stage; therefore, information on the ongoing assessment will not be provided to SIGIR. SIGIR has reported numerous times on the need to ensure that the GOI fully supports and plans to sustain U.S.-provided goods and projects and the failure of the GOI to do so. SIGIR reported that, without adequate maintenance, monies spent on equipment and weapons will have been wasted. Additionally, SIGIR previously pointed out that the GOI needed to take significant steps to adequately support its forces once direct U.S. funding ended. The current certification requirement is another opportunity for DoD to thoughtfully assess the GOI's progress in these areas and to provide the Congress an in-depth analysis of the GOI's commitment to do so.

### **Recommendations**

This report contains no recommendations.

### **Management Comments**

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### ***Gaps in Business System Reviews of Contractors with Generally Less Than \$100 Million Annually in Contracts in Iraq Increase U.S. Government Vulnerabilities to Fraud, Waste, and Abuse***

(SIGIR 12-019, 7/2012)

### **Introduction**

Since 2003, the U.S. government has awarded billions of dollars to contractors to support relief and reconstruction activities in Iraq. Appropriate government oversight of contractors supporting these efforts is critical in reducing the risk that U.S. taxpayer funds are wasted or susceptible to fraud or other abusive practices. Government program management, contracting, contract administration, and audit personnel, as well as contractors, play important roles in monitoring and overseeing contracts. Agencies awarding contracts for work in Iraq, such as the U.S. Central Command, have contracting officers who, in accordance with the Federal Acquisition Regulation, are responsible for ensuring performance of all necessary actions for effective contracting and compliance. These contracting officers can request and consider the advice of specialists in other fields, as appropriate, to carry out their duties.

The Defense Contract Management Agency (DCMA) and the Defense Contract Audit Agency (DCAA) provide key support to contracting offices. Specifically, DCMA is charged with, among other things, contract administration when delegated authority by the procuring contracting office, and DCAA provides audit and financial advisory services. Both agencies play a role in performing business system reviews. DCAA is responsible for reviewing accounting, billing, and estimating systems; while purchasing system reviews are DCMA's responsibility. Such reviews of contractors' business systems and associated internal controls are considered the first line of defense in the fight to reduce the risk of fraud, waste, and abuse. The Commission on Wartime Contracting in Iraq and Afghanistan (CWC) and the Government Accountability

Office (GAO) found widespread weaknesses in the government's contracting oversight processes and emphasized the need for systemic improvements. In response, congressional legislation was recently introduced to improve the contracting process in high-risk overseas contingency operations.

In this report, SIGIR focuses on the extent to which the U.S. government has performed business-system reviews of those DoD contractors that operated in Iraq from 2004 to 2011 and performed less than \$100 million in annual work. SIGIR focused on four key contractor business systems—accounting, billing, estimating, and purchasing. The report follows up on SIGIR's July 2011 audit that identified weaknesses in the government's oversight of Anham, LLC. SIGIR found in that audit that Anham had weak billing and purchasing systems, and one estimating system had not been reviewed, leaving the government vulnerable to overcharges.

## Results

SIGIR's review of 35 sampled contractors showed that either DCAA or DCMA reviewed one or more of four key business systems—accounting, billing, estimating, and purchasing—for 21 of them. For these 21 contractors, SIGIR found only 5 contractors had all 4 systems reviewed, and 17 of the latest reviews for 11 contractors were more than four years old. This raises concerns as to whether the controls were still adequate to reduce the risk of overcharges. Most of the 21 contractors had their accounting and billing systems reviewed, but less than a third had their estimating and purchasing systems reviewed. Many of the issues SIGIR found with its prior review of the Anham contract pertained to Anham's relationship with its subcontractors and the subcontractors' pricing of goods—areas that should be included in purchasing system reviews. For the remaining 14 contractors, SIGIR found that 12 had none of their business systems reviewed, but 10 were contractors with firm fixed-price contracts. The remaining two contractors were a foreign contractor and a joint

venture; neither was found in DCAA and DCMA contractor databases. The gaps in review coverage and the presence of reviews that are several years old raise the risk of fraud, waste, and abuse.

DoD recognizes the importance of contractors' business systems and internal controls as the first line of defense against fraud, waste, and abuse, and has recently initiated actions intended to strengthen the oversight process. DoD amended the Defense Federal Acquisition Regulation Supplement (DFARS) in February 2012 to set forth the elements of, and process for, determining the acceptability of contractors' business systems, to withhold a percentage of payments if deficiencies in contractors' business systems continue, and to require that there be no remaining deficiencies before the contractors' systems are approved and contractors are authorized further work. DoD also directed DCAA to focus its efforts on higher-risk, higher-cost contracts; and, in an effort to reduce overlap, DCMA now has sole responsibility for performing purchasing system reviews, which are conducted primarily at the request of an administrative contracting officer. Finally, both DCMA and DCAA told SIGIR that they are continuing to increase their staffing levels to help address the increasing workload demands on their missions.

SIGIR acknowledges that the task of performing business-system reviews on the large number of contractors performing billions of dollars of work in contingency areas is a huge challenge, especially given DCMA's and DCAA's resource constraints. SIGIR further recognizes that DoD's focus on larger contractors with contracts exceeding \$100 million annually is an appropriate focus of its limited resources. However, SIGIR found that some of the smaller contractors also have sizeable contracts with DoD and believes that increased attention is warranted for smaller contractors that work in high-risk contingency areas, such as Iraq and Afghanistan. SIGIR's belief is based on the findings of this review, the large DoD business base of contractors classified

as small or non-major, and on SIGIR's previous findings in the Anham audit. In the latter audit SIGIR questioned the appropriateness of contractor and subcontractor relationships and all contract costs, issues which should have been uncovered in a purchasing system review. SIGIR further believes that opportunities may exist to improve this oversight and thus reduce the risk for further fraud, waste, and abuse.

DCAA has informed SIGIR that DoD is working on a proposed approach intended to strengthen the oversight of contractors' business systems and that this proposal addresses smaller-scale contingency contractors as well as larger contractors. These officials told SIGIR that the proposal includes recommended revisions to the DFARS to require contractors to report and document their compliance with business-system criteria set forth in DFARS on May 18, 2012. SIGIR believes that such an effort is a step in the right direction toward reducing contracting risks to the government in contingency areas in the future.

## Recommendations

1. SIGIR recommends that the Director, DCMA, and the Director, DCAA jointly develop action plans to increase their oversight of business systems for smaller-scale contractors performing work in high-risk contingency areas, such as Iraq and Afghanistan. Recognizing that resources are limited in the near term, these actions could include more limited reviews of specific aspects of business systems for smaller contractors that are deemed to be high-risk. For example, these actions could entail reviews of small contractors' business relationships with subcontractors when these appear to be questionable or reviews of contractor and subcontractor pricing when it appears to be inflated, as identified in SIGIR's prior Anham audit.
2. SIGIR also recommends that DCMA explore with administrative contracting officers ways to put more attention on the purchasing systems of smaller contingency contractors.

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

### *Iraq Police Development Program: Lack of Iraqi Support and Security Problems Raise Questions about the Continued Viability of the Program*

(SIGIR 12-020, 7/2012)

## Introduction

On October 1, 2011, the Department of State assumed responsibility for training Iraqi police forces. The purpose of the PDP is to assist the MOI and its police services in developing and maintaining capabilities needed to lead, manage, and sustain internal security and the rule of law. As originally conceived, the program was to be a five-year multibillion dollar investment—the largest single DoS program worldwide.

On October 24, 2011, SIGIR reported serious weaknesses with DoS's planning, including the absence of a current assessment of Iraqi police force capabilities, high security costs, and the lack of a written commitment from the GOI for the program. This report reviews the current programmatic and financial status of the program.

## Results

DoS wisely is reducing the PDP's scope and size in the face of weak MOI support. In July 2012, the number of in-country advisors was reduced to 36: 18 in Baghdad and 18 in Erbil, down from the 85 advisors supporting the program in January. These latest reductions stemmed, in part, from the MOI's rejection of some planned PDP training that was to be the centerpiece of the DoS program. DoS is currently refocusing its training on five technical areas requested by the MOI.

Along with Iraqi disinterest, security concerns also affected the program. The Embassy's Regional Security Office deemed it unsafe for advisors to

travel to Iraqi-controlled facilities in Baghdad without security details. Thus, the PDP's managers conducted more training at the U.S.-controlled Baghdad Police Academy Annex (BPAX). DoS constructed significant training and housing facilities at BPAX at a cost of about \$108 million. But DoS has decided to close the facility, just months after PDP started, due to security costs and program revisions. Although BPAX's facilities will be given to the Iraqis, its closure amounts to de facto waste of the \$108 million invested in its construction. In addition, DoS contributed \$98 million in PDP funds toward construction of the Basrah consulate so it could be used for PDP training. It too will not be used because of MOI-directed reductions. This brings the total amount of de facto waste in the PDP—that is, funds not meaningfully used for the purpose of their appropriation—to about \$206 million.

With the PDP's downsizing, available funding exceeds current costs. DoS has about \$118.2 million in unspent FY 2010 and FY 2011 funds. More FY 2010 and FY 2011 funds will become available as more reductions are implemented. Further, DoS officials noted that none of the \$76.3 million in requested FY 2012 funds will be needed until FY 2013. As a practical matter, until the program stabilizes and an updated spend-plan is developed, it is unclear how much will be needed to fund FY 2013 activities.

In its October 2011 PDP audit, SIGIR noted that support costs comprised 88% of program funding. Further, the average cost per advisor totaled about \$2.1 million per advisor per year. SIGIR's analysis of DoS's FY 2013 budget request shows that PDP support costs would go up to 94% of program funding and the per advisor costs would double to about \$4.2 million per year.

In *Hard Lessons: The Iraq Reconstruction Experience*, SIGIR emphasized that host country buy-in to proposed programs is essential to the long-term success of relief and reconstruction activities. The PDP experience powerfully underscores that point. While obtaining the MOI's commitment to the

planned PDP program has clearly been difficult, the decision to embark on a major program absent Iraqi buy-in has been costly. Further, without the MOI's written commitment to the program, there is little reason to have confidence that the training program currently being planned will be accepted six months from now.

## Recommendations

SIGIR makes two recommendations to the Secretary of State:

1. Obtain a written agreement with the MOI on the training to be provided, with concurrence on mutually acceptable locations for conducting that training.
2. Develop a spend plan that accounts for all available funding from all program changes, showing how much prior-year funds will be available for fiscal year 2013 program activities and beyond.

## Matters for Congressional Consideration

SIGIR believes that the Congress may want to consider requiring DoS to provide a written certification that there is Iraqi buy-in for the new PDP classes to be presented in the first three months of implementation, before any additional U.S. funds are committed to the program.

## Management Comments

Management comments are included in the final report, which can be found on the SIGIR website: [www.sigir.mil](http://www.sigir.mil).

## Final Audits Planned

Since 2004, SIGIR has conducted performance audits that assessed the economy, efficiency, effectiveness, and results of Iraq reconstruction programs. Such assessments often concentrated on the adequacy of internal controls and the potential for fraud, waste, and abuse. SIGIR's work also included a series of focused contract audits of major Iraq

reconstruction contracts, which supported SIGIR's response to congressional direction for a "forensic audit" of U.S. spending associated with Iraq reconstruction. Additionally, SIGIR conducted in-depth assessments of the reasonableness, allowability, and allocability of contract or grant costs charged to the United States. As SIGIR draws down, it is planning to complete a number of audits of programs or activities that merit a final or additional review, and one or more capping reports that will highlight the lessons learned in auditing Iraq reconstruction activities.

## Announced or Ongoing Audits

SIGIR is currently working on these audits:

- Project 1205: Audit of the U.S. Government's Accounting of Projects Implemented in Iraq
- Project 1203: Audit of State Department's Efforts To Address Quick Response Fund Management Controls
- Project 1112d: Audit of the Adequacy of U.S. Army Corps of Engineers Efforts To Account for Funds from the Development Fund for Iraq
- Project 1020: Audit of the Departments of Justice and State Management of Rule of Law Activities in Iraq

SIGIR's final audit capping efforts will capture those lessons that SIGIR has learned as a Special Inspector General auditing in a contingency environment. They will encompass a wide range of issues from lessons learned in providing reconstruction assistance in a dangerous environment to management and oversight issues that would need to be addressed in any future similar reconstruction scenarios.

## SIGIR Audits: 2004–2012

Since March 2004, SIGIR has published 214 audits addressing a wide range of topics, such as oversight

of contracts and specific reconstruction programs, as well as the cost and oversight of private security contractors. Throughout its tenure, SIGIR audits have identified deficiencies in the management of contracts and reconstruction activities; made recommendations to improve economy and efficiency of U.S. operations and make activities less vulnerable to fraud, waste, and abuse; and provided lessons learned for use in other reconstruction endeavors.

Moreover, SIGIR has made 482 recommendations to improve reconstruction activities in Iraq. SIGIR has been able to close 447 recommendations either because management has already agreed to and implemented them, the recommendations were overcome by events such as an agency reorganization or program change, or agency managers disagreed with, and therefore did not implement, a recommendation. These recommendations are discussed in depth in the next subsection.

Many of SIGIR's audit results can be attributed to SIGIR's presence in Iraq. This presence has enabled SIGIR to provide real-time audits—often starting and completing within six months—that address critical reconstruction issues. SIGIR's in-country audit activities also enabled face-to-face communication and relationship building with DoD, DoS, USAID, and GOI officials, and provided an in-depth and historical knowledge of the reconstruction program in the country. The number of SIGIR auditors in Iraq has decreased significantly, in line with the overall downsizing of the agency.

SIGIR has worked proactively with previous and current U.S. ambassadors and commanding generals, providing insights on issues that need to be addressed. In addition, SIGIR and the Office of the Under Secretary of Defense (Comptroller) have coordinated and worked together throughout SIGIR's seven most recent audits of the Development Fund for Iraq (DFI). For example, in commenting on a draft report entitled "Development Fund for Iraq: The Coalition Provisional Authority's Financial Controls for Electronic Fund Transfer Payments Diminished over Time"

(SIGIR 12-013), dated April 13, 2012, the DoD Comptroller stated:

I appreciate the collaborative effort extended by your team throughout the series of audits on the Development Fund for Iraq. Through this collaborative effort, DoD obtained CPA records from the U.S. National Archives that included information about the Hajj-related payments to Iraqi officials highlighted in the draft report. The Department will continue to support SIGIR audit efforts to ensure transparency and proper accountability.

SIGIR coordinates regularly with the Comptroller's office regarding actions taken to address DFI report recommendations.

## Major Issues Addressed in Audits

In the course of its work, SIGIR has identified broad, recurring issues that were the key contributing causes to the deficiencies noted in the body of SIGIR's audits and, in July 2008, issued an audit report that discussed four persistent issues affecting the management of reconstruction activities in Iraq:

- the need to better understand the problems associated with implementing reconstruction programs in an unstable security environment (For example, security issues and their costs were often not adequately taken into consideration in designing and implementing reconstruction activities and estimating costs.)
- the impact of not having an integrated management structure to provide clear lines of authority on program coordination and successful delivery of projects (The lack of such unity of command led to situations where the U.S. government could not determine the full extent of all agencies' activities on a single issue, such as anticorruption or capacity development.)
- the importance of anticipating staffing needs and reducing staff turnover
- the importance of working closely with host governments to ensure the long-term success of U.S. investments in reconstruction projects

This quarter, SIGIR issued its final forensic report which provided additional lessons that were learned in audits of contracts and other activities.

## SIGIR Recommendations To Improve the Management of Reconstruction Activities

SIGIR made recommendations to deal with these management problems. In a number of cases, a single recommendation addressed more than one of the issues outlined above. To illustrate, SIGIR has provided:

- more than 190 recommendations to improve program management, including the need to adequately staff offices and reduce staff turnover
- nearly 80 recommendations to improve inter-agency coordination and cooperation and to better share information
- more than 205 recommendations to improve oversight of contracts and contractors to encourage economy and efficiency and minimize the potential for fraud, waste, and abuse
- more than 200 recommendations to improve accountability and internal control weaknesses (These involve deficiencies such as inadequate review of contractor invoices, inadequate contractor oversight, missing or incomplete documentation of contract actions, and inadequate staffing.)
- more than 40 recommendations to work more closely with the GOI in areas such as designing and transferring projects to improve the prospects that the GOI will sustain U.S.-funded facilities and programs so that U.S. efforts will not be wasted

Additionally, SIGIR has provided recommendations to improve the management, efficiency, and outcome of significant and high-cost programs that will continue in Iraq even as the U.S. reconstruction effort scales back. Moreover, these recommendations provide important lessons learned in implementing reconstruction activities in other contingency operations. To illustrate:

- SIGIR has issued 12 reports on the **Commander's Emergency Response Program (CERP)** and Iraqi-funded (**I-CERP**) projects administered through the U.S. program, making 29 recommendations that address the need to improve management. This program authorizes U.S. field commanders to use CERP funds to respond to urgent humanitarian, relief, and reconstruction requirements that immediately assist indigenous populations and achieve focused effects. In July 2011, SIGIR completed a review of the uses and management of FY 2011 CERP-funded projects and concluded that the emphasis to concentrate on capacity-development projects likely does not meet DoD CERP objectives, and that there are no meaningful metrics to measure these projects' impact. Another related report looked at DoD's management of the funds the GOI provided for I-CERP projects. SIGIR found that DoD was using U.S. CERP funds for projects that would have been more appropriately funded under I-CERP and that DoD was not maintaining accurate information on the I-CERP funds or projects.
- SIGIR has issued approximately 30 reports that, to varying degrees, addressed **DoD efforts to develop a functioning Iraqi Army, Air Force, Navy, and Police**. These reports ranged from the management of contracts that provided training and other services, ministerial capacity development, oversight of weapons provided, asset transfer, use of CERP funds, anticorruption efforts, and other topics—including logistics, maintenance responsibilities, and training of security forces personnel. Recommendations addressed issues such as the need to determine whether billings and costs questioned by SIGIR should be disallowed and recovered, and the need to ensure that the Iraqi Ministry of Defense assumes responsibility for maintaining U.S.-built facilities.
- SIGIR has looked specifically at the progress in developing the Iraqi police forces. SIGIR issued seven reports that dealt exclusively with U.S.

**police training programs** and made numerous recommendations to improve oversight of, and reduce vulnerabilities to, fraud, waste, and abuse. SIGIR examined both the contract under which police advisors were training Iraqi police and the actual assistance program to provide the training. To illustrate, in 2010 SIGIR reviewed whether DoS had adequately planned for its assumption of the PDP, finding significant problems. SIGIR found that DoS lacked a current assessment of Iraqi police forces' capabilities upon which to base the program and had not obtained GOI written commitment regarding either its support for the program or its intended financial contributions. Moreover, only 12% of program costs would be used for actual program implementation, with the vast preponderance of funds going for security. SIGIR recommended that DoS work with the MOI to develop an assessment of the police forces, develop an in-depth development plan that includes metrics from which to evaluate success, and complete a written agreement with the MOI on its roles and responsibilities in developing its police forces. SIGIR also provided matters for the Congress to consider in encouraging more effective and efficient delivery of this training. This quarter SIGIR issued another report on the PDP which questioned its viability given the lack of Iraqi support and security problems. This report is discussed more in depth earlier in this section.

SIGIR has been actively working with USAID, DoS, and DoD to determine the extent to which SIGIR recommendations have been implemented or otherwise addressed by the agency. In some cases, recommendations were overcome by events such as the dissolution of a temporary agency or program, or were rejected by management. SIGIR has also worked with agency inspectors general to ensure that they follow up on any SIGIR recommendations that remain open after SIGIR shuts down. To date, SIGIR is pleased that agencies have generally responded positively to SIGIR recommendations.

# SIGIR OVERSIGHT

- USAID agreed to provide semiannual updates on its open recommendations and has submitted three such reports. The most recent report indicated that USAID had taken corrective action on nine recommendations in the last six months.
- DoS has set up a SIGIR Audits Recommendations Liaison in their Bureau of Resource Management to monitor the status of SIGIR recommendations and maintain contact with SIGIR. DoS has a follow-up process and tracking system for audit reports and recommendations and has agreed to use that process for SIGIR audit reports and recommendations. Subsequently, DoS and SIGIR have worked together to reconcile system documentation. SIGIR is awaiting documentation on 16 open recommendations. Nevertheless, DoS has not clearly delineated an organization responsible for reporting the status of recommendations to the Congress, nor for resolving disagreements and questions about recommendations, as required by Office of Management and Budget Circular A-50.
- SIGIR has been able to close all but four of the audit recommendations made to the Office of the Secretary of Defense and the U.S. Central

Command and pertaining to SIGIR's review of the Anham contract with DoD. The DoD Office of Inspector General has agreed to follow up on any open SIGIR recommendations after SIGIR terminates operations in fiscal year 2013.

As part of its closeout process, SIGIR is transferring the responsibility for follow-up on open audit recommendations to the pertinent agency Inspector General.

## Financial Impacts of SIGIR Audits

SIGIR's audits have had financial impacts as shown in Table 5.2. Through its audits, SIGIR has been able to identify:

- funds that would be put to better use, meaning that funds could be used more efficiently if management took an action, such as reducing outlays or deobligating funds from a specific program or operation
- payments that SIGIR questioned and recommended the agency consider recovering because SIGIR determined that the payments were either not adequately supported in documentation or did not appear to be allowable, reasonable, or

TABLE 5.2  
**SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACTS, AS OF 7/30/2012**  
\$ Millions

ACCOMPLISHMENTS	LAST 6 MONTHS	CUMULATIVE
Potential Savings If Funds Are Put to Better Use <sup>a</sup>	–	973.62
Potential Savings If Agencies Recover Questioned Costs <sup>b</sup>	4.85	640.68
Actual Saved and Recovered Funds Based on Agency and Congressional Actions Responding to SIGIR Findings and Recommendations	–	644.89

<sup>a</sup> The Inspector General Act of 1978, § 5. (f) states:

(4) The term "recommendation that funds be put to better use" means a recommendation by the Office that funds could be used more efficiently if management of an establishment took actions to implement and complete the recommendation, including—  
(A) reductions in outlays  
(B) deobligation of funds from programs or operations  
(C) withdrawal of interest subsidy costs on loans or loan guarantees, insurance, or bonds  
(D) costs not incurred by implementing recommended improvements related to the operations of the establishment, a contractor or grantee  
(E) avoidance of unnecessary expenditures noted in pre-award reviews of contract or grant agreements, or  
(F) any other savings which are specifically identified.

<sup>b</sup> The Inspector General Act of 1978, § 5. (f) states:

(1) The term "questioned cost" means a cost that is questioned by the Office because of—  
(A) an alleged violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the expenditure of funds  
(B) a finding that, at the time of the audit, such cost is not supported by adequate documentation, or  
(C) a finding that the expenditure of funds for the intended purpose is unnecessary or unreasonable.  
(2) The term "unsupported cost" means a cost that is questioned by the Office because the Office found that, at the time of the audit, such cost is not supported by adequate documentation.

Source: Analysis of SIGIR audit reports and recommendations as of 7/2012.

allocable according to regulations and or other agreements governing the expenditure of the funds

- funds that were actually saved because the agency under review accepted SIGIR's recommendation to put funds to better use, or to recover monies that were inappropriately spent by a contractor, grant recipient, or other organization receiving U.S. funding, or funds that were saved because the Congress elected to reduce appropriations based on SIGIR's work

SIGIR has identified a total of \$973.62 million that could be used more efficiently and effectively elsewhere.

SIGIR has also questioned \$640.68 million in payments to contractors and grant recipients under cost-reimbursement contracts or grant agreements because the costs claimed were not supported by adequate documentation, such as receipts or invoices; were unallowable under government regulations; were unreasonably high; or were not allocable to the project. For example, SIGIR found major problems in U.S. oversight of a contract with Anham, LLC, and therefore questioned the entire \$113 million that has thus far been expended on the contract.

Through July 30, 2012, agency management has concurred with certain SIGIR audit findings and recommendations, which has resulted in about \$644.89 million in saved and recovered funds. For

example, \$23 million of the funds saved emanated from recommendations regarding improved inventory control of equipment purchased for primary healthcare centers, and \$502 million was saved in the Iraqi police training program through measures such as improved contractor invoice review.

Additionally, DoS implemented a SIGIR recommendation to conduct in-depth assessments of International Republican Institute (IRI) methods for allocating costs that could ultimately result in significant savings to the Department. Specifically, in a July 2010 audit, "Improved Oversight Needed for State Department Grants to the International Republican Institute" (SIGIR 10-022), SIGIR recommended, among other actions, that the Grants Officers conduct in-depth assessments of the IRI accounting allocation methods highlighted in the report to determine the level of questionable costs and whether funds should be recovered. SIGIR had determined that IRI had not properly allocated or computed its overhead security costs. A June 2012 DoS Office of Inspector General audit report (AUD-CG-12-35) confirmed SIGIR's findings to the point of questioning whether more than \$4 million in costs were appropriately allocated and recommending that the Grants Officers take specific actions to remedy the problems and recover funds as appropriate.

Table 5.3 lists SIGIR's financial impact audit reports and the value of the financial accomplishments.

# SIGIR OVERSIGHT

**TABLE 5.3**  
**SIGIR POTENTIAL AND ACTUAL FINANCIAL IMPACT REPORTS**  
\$ Millions

REPORT NUMBER	REPORT TITLE	POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS			ACTUAL SAVINGS	
		QUESTIONED COSTS				
		FUNDS THAT COULD BE BETTER USED	UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS		
04-003	Federal Deployment Center Forward Operations at the Kuwait Hilton	18.20			18.20	
04-011	Audit of the Accountability and Control of Materiel Assets of the Coalition Provisional Authority in Baghdad	19.70			19.70	
04-013	Coalition Provisional Authority's Contracting Processes Leading Up To and Including Contract Award			5.19	0.00 <sup>a</sup>	
05-008	Administration of Contracts Funded by the Development Fund of Iraq	0.04			0.00 <sup>a</sup>	
05-015	Management of Rapid Regional Response Program Grants in South-Central Iraq			2.70	0.00 <sup>a</sup>	
05-016	Management of the Contracts and Grants Used To Construct and Operate the Babylon Police Academy	1.30			0.00 <sup>a</sup>	
05-017	Award Fee Process for Contractors Involved in Iraq Reconstruction	7.80			7.80	
05-020	Management of the Contracts, Grant, and Micro-Purchases Used To Rehabilitate the Karbala Library	0.15			0.00 <sup>a</sup>	
05-023	Management of Rapid Regional Response Program Contracts in South-Central Iraq	0.57			0.00 <sup>a</sup>	
06-009	Review of Task Force Shield Programs	12.80			12.80	
06-010	Review of the Multi-National Security Transition Command-Iraq Reconciliation of the Iraqi Armed Forces Seized Assets Fund	1.51		3.46	4.97	
06-016	Interim Audit Report on the Review of the Equipment Purchased for Primary Healthcare Centers Associated with Parsons Global Services, Contract Number W914NS-04-D-0006	23.30			23.30	
06-029	Review of DynCorp International, LLC, Contract Number S LMAQM-04-C-0030, Task Order 0338, for the Iraqi Police Training Program Support		5.46		5.46	
07-007	Status of U.S. Government Anticorruption Efforts in Iraq	3.80			3.80	
08-018	Outcome, Cost, and Oversight of Water Sector Reconstruction Contract with FluorAMEC, LLC	0.57			0.57	
09-003	Cost, Outcome, and Oversight of Local Governance Program Contracts with Research Triangle Institute	0.19			0.06 <sup>a</sup>	
09-004	Iraq Reconstruction Project Terminations Represent a Range of Actions	16.62			16.62	
10-008	Long-standing Weaknesses in Department of State's Oversight of DynCorp Contract for Support of the Iraqi Police Training Program	448.49	502.25		508.66	
10-010	Department of State Contract To Study the Iraq Reconstruction Management System	5.00			5.00	
10-013	Commander's Emergency Response Program: Projects at Baghdad Airport Provided Some Benefits, but Waste and Management Problems Occurred	16.10			16.10	
10-022	Improved Oversight Needed for State Department Grants to the International Republican Institute		5.54		0.69	
11-001	National Democratic Institute Grant's Security Costs and Impact Generally Supported, but Department of State Oversight Limited	0.08			0.08	
11-009	Iraqi Government Support for the Iraq International Academy	12.00			-	
11-014	The Iraq Community Action Program: USAID's Agreement with CHF Met Goals, but Greater Oversight Is Needed	1.08			1.08	

*Continued on next page*

REPORT NUMBER	REPORT TITLE	POTENTIAL SAVINGS FROM SIGIR FINDINGS AND RECOMMENDATIONS			ACTUAL SAVINGS	
		QUESTIONED COSTS				
		FUNDS THAT COULD BE BETTER USED	UNALLOWABLE UNALLOCABLE UNREASONABLE	UNSUPPORTED COSTS		
11-022	Poor Government Oversight of Anham and Its Subcontracting Procedures Allowed Questionable Costs To Go Undetected		113.40		-	
12-006	Iraqi Police Development Program: Opportunities for Improved Program Accountability and Budget Transparency	387.00			-	
			629.33	11.35		
<b>Totals</b>		<b>973.62</b>		<b>640.68<sup>b</sup></b>	<b>644.89</b>	

a SIGIR previously reported that agencies saved some, or more money, but collection efforts were stopped for reasons such as the company went out of business or the cost of collection would have exceeded the funds recovered.

b The total dollar amount of questioned costs comprises two subcategories, which are delineated in this table in order to clarify the nature of the questioned cost as defined by the Inspector General Act.

c No recovered funds or collection efforts to date related to Reports 11-009, 11-022, or 12-006.

Note: All SIGIR audit reports can be found on the SIGIR website at [www.sigir.mil](http://www.sigir.mil).

## SIGIR's Forensic Audit Work Completed

SIGIR has completed its forensic audits of Iraq reconstruction funds. SIGIR began its effort in late 2008 and issued its final forensic report this quarter. SIGIR's approach to performing these audits combined automated data mining with standard audit and investigative techniques to detect problematic payments and develop relevant evidence for use in administrative actions or civil or criminal fraud prosecutions. A "Forensics Group" was established and staffed with personnel from SIGIR's Audits and Investigations Directorates to perform those tasks. The group's initial working framework involved three primary efforts:

- SIGIR conducted in-depth audits of major DoD, DoS, and USAID reconstruction awards. In these focused contract and grant audits, SIGIR examined costs, outcomes, and management oversight and identified whether internal controls were in place to ensure effective contract management and use of reconstruction funds.
- SIGIR established a joint audit and investigative initiative in January 2009. Known as the Forensic Evaluation, Research, Recovery and

Enforcement Team (FERRET), this multidisciplinary initiative involved auditors, analysts, and investigators working together to examine programs where U.S. military and civilian personnel involved in the reconstruction of Iraq had easy access to cash and where controls over expenditures appeared to be weak.

- SIGIR auditors examined transaction data of payments made to vendors to identify irregular, or anomalous, transactions that could indicate potential fraud. SIGIR selected nearly 180,000 payments totaling about \$40 billion from DoD, DoS, and USAID financial systems for close review. These transactions came from four major reconstruction funds: the IRRF (totaling \$19.83 billion), ISFF (\$14.1 billion), ESF (\$1.83 billion), and CERP (about \$4.0 billion).

Subsequently, SIGIR added an additional component to the forensic endeavor. SIGIR analyzed nearly 100 closed criminal investigations related to the Iraq reconstruction effort to identify internal control weaknesses that contributed to individuals' ability to commit criminal acts.

SIGIR's final forensic report is discussed earlier in this section. ♦

## SIGIR SPECIAL REPORTS

In July 2012, SIGIR published the second in its Special Report series.

### *The Human Toll of Reconstruction and Stabilization during Operation Iraqi Freedom* SIGIR Special Report No. 2

While SIGIR's audit reports and Quarterly Reports have focused on financially accounting for the more than \$60 billion made available for Iraq's reconstruction and stabilization since 2003, this report provides an estimate of the human cost of reconstruction.

Operation Iraqi Freedom lasted from May 1, 2003, to August 31, 2010. During that period, U.S. servicemembers, civilians, and contractors—as well as third-country nationals and Iraqis—exposed themselves to significant risk while trying to rebuild and stabilize Iraq. Although the paucity of reliably complete casualty data prevented SIGIR from obtaining a full accounting of the actual human losses suffered while reconstructing and stabilizing Iraq, this report provides the most thorough account possible.

SIGIR combed through official casualty records as well as the casualty lists compiled by various private companies and government agencies involved in reconstruction efforts in Iraq, including:

- U.S. Department of Defense (DoD)
- U.S. Department of State (DoS)
- U.S. Department of Labor
- U.S. Agency for International Development (USAID)
- U.S. Army Corps of Engineers (USACE)

Although these records are incomplete, they provide a minimum number of people killed while reconstructing and stabilizing Iraq.

### What SIGIR Found

Reconstructing and stabilizing Iraq was dangerous work. SIGIR calculated that at least 719 people were killed while working reconstruction and stabilization efforts during Operation Iraqi Freedom. More than 44% of these fatalities—318 people—were U.S. citizens, including 264 military personnel and 54 civilians. An additional 111 third-country nationals, 271 Iraqis, and 19 others were also killed while working on U.S. reconstruction and stabilization efforts. These numbers do not include those who died from combat accidents, suicides, or natural causes.

SIGIR documented the type of project each person was working on at the time of his or her death, organizing the data into three categories:

- **Infrastructure and governance** projects addressed the civil reconstruction of Iraq—including electrical, water, oil, healthcare, and transportation infrastructure—and also Iraq's civil society, such as education and human rights.
- **Police training** projects and activities were undertaken to rebuild a viable police force for Iraq through recruitment of new police, establishment of new training academies throughout Iraq, and re-education of retained Iraqi police officers.
- **National-level security force training** projects and activities supported the establishment and training of the Iraqi armed forces.

At least 513 personnel (71% of all casualties) died while supporting the largest project category in SIGIR's analysis—infrastructure and governance—which includes all projects funded through the Iraq Relief and Reconstruction Fund, Economic Support Fund, and Commander's Emergency

Response Program. Of these 513 casualties, 240 were Iraqis.

The police development and training program also proved dangerous, accounting for 145 casualties (20%). DoD, the lead agency for police training during the time period considered by this report, sustained 97 casualties. An additional 16 U.S. civilian contractors, 4 third-country national contractors, 22 Iraqis, and 6 others, working as interpreters, were also killed while training the Iraqi police.

Missions involving the training of the Iraqi military claimed the final 61 casualties (8%): 48 U.S. military personnel, 3 U.S. civilians, 9 Iraqis (mostly interpreters working for the U.S. military), and one other, working as an interpreter.

### Lessons for Consideration

Based on this research, SIGIR offers two lessons for consideration:

1. **Reconstruction and stabilization missions conducted in a combat zone are inherently dangerous.** Although reconstruction and stabilization missions are described as “soft,” “non-kinetic,” or “non-lethal” missions, this is

a misnomer. The human losses incurred in Iraq indicate that reconstruction and stabilization missions conducted in a war zone were dangerous for our military forces, U.S. civilian contractors, third-country nationals and Iraqis alike. While missions in support of military operations may justify some risk, not all stability and reconstruction missions fall into this category. The risk to personnel should be considered when deciding to conduct, in non-permissive environments, reconstruction and stabilization missions that go beyond supporting military operations.

2. **Casualty data records are incomplete and often absent, especially for civilians.** One measure of the cost of stability and reconstruction operations is the number of casualties sustained by the United States and its allies. Without accurate records, we risk having an incomplete evaluation of the effectiveness and cost of our reconstruction and stabilization efforts. U.S. agencies involved in reconstruction and stabilization missions should ensure that the data related to the human cost of such efforts is properly collected and maintained. ♦

## SIGIR INVESTIGATIONS

The SIGIR Investigations Directorate continues to actively pursue allegations of fraud, waste, and abuse in Iraq, with 97 active investigations. During this reporting period, SIGIR had 1 investigator assigned in Baghdad; 12 investigators in offices in Pennsylvania, Florida, Texas, Oklahoma, and California; and 5 investigative personnel at SIGIR headquarters in Arlington, Virginia. Investigative

FIGURE 5.1

**SIGIR CONVICTIONS, BY AFFILIATION OF WRONGDOER, AS OF 6/30/2012**

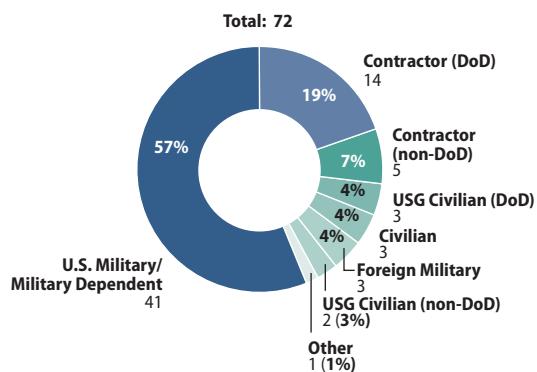
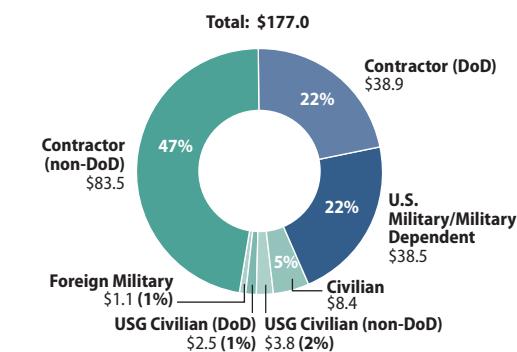


FIGURE 5.2

**SIGIR INVESTIGATIONS MONETARY RESULTS, BY AFFILIATION OF WRONGDOER, AS OF 6/30/2012**  
\$ Millions



Note: Numbers affected by rounding.

accomplishments this quarter included three indictments, five convictions, and five sentencing.

As of July 30, 2012, the work of SIGIR investigators had resulted in 90 indictments, 72 convictions, and more than \$177.0 million in fines, forfeitures, recoveries, restitution, and other monetary results. For SIGIR convictions, by affiliation of wrongdoer at the time of criminal activity, see Figure 5.1. For the monetary results of SIGIR investigations, by affiliation of wrongdoer, see Figure 5.2.

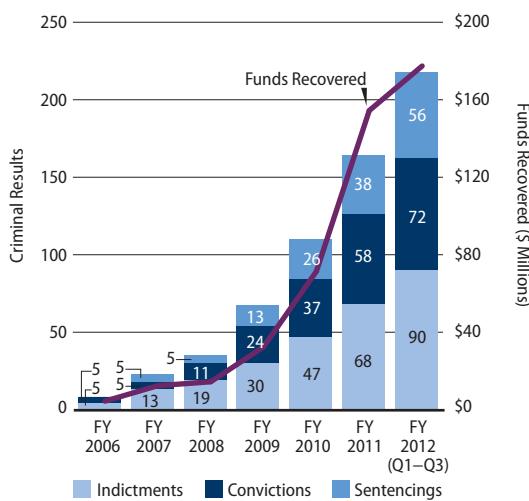
Investigative accomplishments this quarter also included 14 suspensions, 11 proposals for debarment, and 17 debarments. As of June 30, 2012, the work of SIGIR investigators had resulted in 94 suspensions, 133 proposals for debarment, and 103 debarments.

This quarter, SIGIR continued to conduct a number of significant criminal investigations related to Iraq reconstruction and to work closely with prosecutors, U.S. partner investigative agencies, coalition partner investigators, and law-enforcement personnel from other countries. As a result of these investigations, 16 defendants were awaiting trial, and an additional 15 defendants were awaiting sentencing at the end of the quarter. Figure 5.3 shows the cumulative number of judicial actions and monetary results resulting from SIGIR's investigations. With prosecutors currently handling a substantial number of additional cases, this trend is expected to continue. For a comprehensive list of convictions compiled by the Department of Justice (DoJ), see Table 5.4 at the end of this subsection.

SIGIR notes these investigative activities this quarter:

- A British citizen and two U.S. citizens pled guilty to conspiring to defraud the U.S. government.
- A former U.S. Army captain was charged and pled guilty to theft of government property.

**FIGURE 5.3**  
**SIGIR INVESTIGATIONS CRIMINAL RESULTS AND FUNDS RECOVERED, CUMULATIVE TO DATE, BY FISCAL YEAR**



- A U.S. Army sergeant and an associate were convicted on all charges in a bribery and money-laundering scheme.
- A U.S. Army Reserve sergeant was sentenced for conspiracy to defraud the Department of Defense (DoD).
- A U.S. Army major was sentenced for accepting illegal gratuities from a U.S. Army Corps of Engineers (USACE) contractor.
- A U.S. Army captain was sentenced for accepting illegal gratuities involving Commander's Emergency Response Program (CERP) funds.
- A retired U.S. Army lieutenant colonel was sentenced for accepting bribes.
- A former civilian contractor was sentenced for his role in a scheme to steal military equipment.
- A defense contractor and its president were charged with fraud in connection with a contract to provide armored vehicles.

### British Citizen and Two Americans Plead Guilty to Conspiring To Defraud U.S. Government

On May 21, 2012, Ahmed Kazzaz, a British citizen, pled guilty in U.S. District Court, Los Angeles,

California, to the federal offenses of conspiracy, kickbacks, wire fraud, and mail fraud. On April 10, 2012, Gaines Newell, Jr., pled guilty in U.S. District Court for the Northern District of Alabama to conspiracy to commit the federal offenses of kickbacks, wire fraud, and mail fraud and to filing false tax returns. On May 8, 2012, Billy Joe Hunt pled guilty in U.S. District Court for the Northern District of Alabama to conspiracy to commit the federal offenses of kickbacks, wire fraud, and mail fraud and to filing false tax returns.

In an indictment unsealed on March 13, 2012, Kazzaz and his company, Leadstay, were charged for their roles in a conspiracy to defraud the United States and pay kickbacks in exchange for receiving subcontracts for a DoD program in Iraq. In addition, two criminal informations were unsealed, charging Newell and Hunt with conspiracy to commit the federal offenses of kickbacks, wire fraud, and mail fraud, as well as filing false tax returns.

According to court documents, Kazzaz paid more than \$947,500 in unlawful kickbacks to two employees of the prime contractor to the United States government in order to obtain lucrative subcontracts for himself and his company in connection with the Coalition Munitions Clearance Program (CMCP). The CMCP worked to clear, store, and dispose of weapons that were seized or abandoned in Iraq from 2003 through November 2008. The U.S. Army Corps of Engineers Huntsville Engineering and Support Center (HESC) awarded a prime contract for this work to an international engineering and construction firm headquartered in Pasadena, California.

According to court documents, beginning in or about March 2006, Kazzaz entered into a kickback agreement with Newell (the prime contractor's program manager) and Hunt (the deputy program manager), who arranged for the award of subcontracts to Kazzaz and Leadstay to provide materials, heavy equipment, and equipment operators for the CMCP. Kazzaz also

obtained multiple funding increases to those subcontracts. From April 2006 through August 2008, Kazzaz and Leadstay received more than \$23 million in U.S. funds for services under the CMCP.

Hunt's sentencing has been scheduled for August 21, 2012, and Newell's is set for October 9. Sentencing for Kazzaz is scheduled for October 29, 2012.

The case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Northern District of Alabama.

The case was investigated by SIGIR, the Defense Criminal Investigative Service (DCIS), Internal Revenue Service-Criminal Investigations (IRS-CI), the Federal Bureau of Investigation (FBI), and the U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit (CID-MPFU).

## **Former U.S. Army Captain Pleads Guilty to Theft of Government Property at Camp Speicher, Iraq**

On May 17, 2012, Nicole Luvera, a former U.S. Army captain, pled guilty in U.S. District Court in Atlanta, Georgia, to one count of theft of government property.

According to court documents, from July 2007 to September 2008, Luvera was the deputy disbursing officer at Camp Speicher, Iraq. Luvera was responsible for daily financial management and accounting of all money kept at Camp Speicher for the payment of obligations of the United States. In this capacity, Luvera had access to the vault and safes inside the vault in which all the money at Camp Speicher was kept. According to statements made at the plea hearing, Luvera admitted she knowingly and unlawfully stole and converted to her use and the use of others \$8,000 not reflected in the official accounting record. Luvera also admitted that on a subsequent occasion, she devised an illegal mechanism to steal and convert another approximately \$40,000 from the safe at Camp Speicher by fraudulently creating records to explain the absence of the money.

At sentencing, scheduled for August 10, 2012, Luvera faces up to 10 years in prison and a fine of \$250,000. In addition, Luvera has agreed to pay \$48,000 in restitution to DoD.

The case was investigated by SIGIR, DCIS, and Army CID-MPFU.

## **U.S. Army Sergeant and Associate Convicted in Bribery and Money-laundering Scheme**

On June 25, 2012, a federal jury in Elkins, West Virginia, convicted U.S. Army Sergeant First Class Richard Evick and his associate Crystal Martin on all counts charged in connection with a bribery and money-laundering scheme at Camp Arifjan, Kuwait.

Evick was found guilty of one count of bribery conspiracy, two counts of bribery, one count of money-laundering conspiracy, six counts of money laundering, and one count of obstructing an agency proceeding. Crystal Martin, one of his co-conspirators, was found guilty of one count of bribery conspiracy, one count of money-laundering conspiracy, and four counts of money laundering. Evick served as the U.S. Army's non-commissioned officer in charge of contracting at Camp Arifjan between 2005 and 2006. In that capacity, Evick had the authority to arrange for the award of valuable contracts to supply the U.S. military with bottled water and catering services, maintain Army barracks, and install security barriers, among other things.

Evidence presented at trial demonstrated that Evick and his co-conspirators manipulated the contracting process in several ways, including disclosing confidential information about the U.S. military's plans to procure goods and services and accepting fake bids. In this manner, Evick and two of his fellow contacting officials, former U.S. Army Majors James Momon and Christopher Murray, steered nearly \$24 million worth of contracting business to certain contractors. In exchange, these contractors paid Evick more than \$170,000

in bribes, a free New Year's Eve trip to Dubai, and parties.

Among the persons who paid Evick these bribes was Wajdi Birjas, a civilian U.S. government employee at Camp Arifjan who had a secret interest in a military contractor operating in Kuwait. Birjas testified that he provided phony bids to Evick from purportedly independent contractors who were, in reality, controlled by the same individuals. The evidence showed that Evick used these bids to create the false impression that the contracts were awarded according to Army contracting rules providing for a competitive bidding process. Birjas also testified that he had a hidden safe at his villa where Momon stored more than \$800,000 in bribe money and which Evick used to exchange a large amount of Kuwaiti currency for U.S. dollars.

According to the evidence, Evick gave much of his bribe money to Martin, who had a concession from the Army and Air Force Exchange Service to sell merchandise at Camp Arifjan, which was primarily a cash business. Evick and Martin then transferred tens of thousands of dollars worth of Evick's bribe money to the United States into the hands of Evick's wife and his girlfriend. The evidence showed that, in order to conceal the fact that this was bribe money, Evick and Martin converted the money into Western Union wires, money orders, cashier's checks, and personal checks. Evick and Martin also smuggled cash into the United States on their persons, Martin often taking military transport flights to avoid customs screening. Evick used his bribe money, among other things, to purchase and construct a residence on three and a half acres in Parsons, West Virginia, and to buy a pickup truck.

The evidence showed that Evick and Martin also participated in a scheme to smuggle \$250,000 of bribe money belonging to Momon into the United States. Momon testified about a summer 2006 meeting at Kuwait International Airport with Evick and Martin, at which Martin described how she was laundering Evick's bribe money and offered to provide the same service for Momon.

According to evidence presented at trial, Evick offered to bury Momon's money on Evick's West Virginia property. When law-enforcement agents interviewed Evick several months later about corruption at Camp Arifjan, Evick falsely stated that he did not know the contractor from whom evidence showed he had received a \$150,000 bribe, among other things.

Evick and Martin face a maximum sentence of five years in prison for bribery conspiracy, 20 years in prison for money-laundering conspiracy, and 20 years in prison for each count of money laundering. Evick also faces a maximum of 15 years in prison for each count of bribery, five years for obstructing an agency proceeding, and the forfeiture of the proceeds of his bribe scheme, which includes his West Virginia residence. Both face maximum fines of \$250,000 per count. A sentencing date has not been set.

The case was conducted by SIGIR, DCIS, Army CID-MPFU, IRS-CI, and the FBI.

### **U.S. Army Reserve Sergeant Sentenced for Conspiracy To Defraud DoD**

On May 16, 2012, Amasha M. King, a sergeant in the U.S. Army Reserve, was sentenced in U.S. District Court in Macon, Georgia, to three months of imprisonment, followed by five years of probation, and ordered to pay restitution of \$20,500 and a special assessment of \$100.

According to the court documents, Sergeant King served at Camp Arifjan, Kuwait, from November 2004 to February 2006, in support of Operation Iraqi Freedom as part of the 374th Finance Battalion. While in Kuwait, King was responsible for receiving and processing pay vouchers and invoices from military contractors for various contracts and blanket purchase agreements (BPAs), including BPAs for bottled potable water. With King's approval, the contractors were paid from the finance battalion. In some instances, King was responsible for the issuance of U.S. government checks to those contractors.

According to court documents, King agreed to receive money from a military contractor in return for defrauding the United States by preferentially processing the contractor's invoices outside of the proper procedures and protocols for payment. This allowed the contractor to be paid much faster than usual, enabling it to bid for more contracts than it otherwise could have financed.

Sergeant King admitted that she received four wire transfers totaling approximately \$20,500. She also admitted that she instructed the contractor to wire the money to designees in the United States and to keep the amounts under \$10,000 to avoid bank reporting requirements.

This case was investigated by SIGIR, Army CID-MPFU, DCIS, IRS-CI, Immigration and Customs Enforcement (ICE), and the FBI.

## **U.S. Army Major Sentenced for Accepting Illegal Gratuities from USACE Contractor**

On June 6, 2012, U.S. Army Major Christopher G. Bradley was sentenced in U.S. District Court in El Paso, Texas, to six months of imprisonment, followed by one year of supervised release, and ordered to pay restitution of \$20,000 and a special assessment of \$200. The sentencing was the result of Bradley's April 9, 2012, guilty plea to accepting illegal gratuities.

Bradley was charged in a two-count criminal information with accepting \$20,000 in illegal gratuities while deployed to Forward Operating Base (FOB) Diamondback in Mosul from January to November 2008. During that time, Bradley served with the Nineveh Operation Command Military Transition Team, where he helped establish facilities at the base and train a companion Iraqi Army unit that was stationed on an adjacent Iraqi base.

Bradley admitted that he accepted \$20,000 in cash from an Iraqi contractor at FOB Diamondback. Bradley escorted the contractor around the base when the contractor was unable to hire a properly credentialed employee. Further, Bradley assisted the contractor to circumvent security

procedures requiring the off-loading and reloading of trucks prior to entering the base. He arranged for the contractor's trucks to be allowed onto the Iraqi portion of the base without previously being off-loaded and reloaded, thus saving the contractor substantial cost and time. Bradley admitted that, on two separate occasions, he accepted an envelope filled with \$10,000 cash from the Iraqi contractor and that the payments were given to him because of his assistance to the contractor.

Bradley is set to retire on October 31, 2012, from the U.S. Army. He was ordered to self-surrender on November 5, 2012, to begin serving his prison sentence.

This case was investigated by SIGIR, Army CID-MPFU, and DCIS.

## **U.S. Army Captain Sentenced for Accepting Illegal Gratuities**

On June 1, 2012, Michael Rutecki, a captain in the U.S. Army, was sentenced in U.S. District Court in Anchorage, Alaska, to three years' probation and ordered to pay a \$2,000 fine, restitution of \$10,500, and a special assessment of \$100. Rutecki pled guilty on March 7, 2012, to a criminal information charging him with one count of accepting illegal gratuities.

According to court documents, Rutecki was deployed to Iraq as a civil affairs officer at a forward operating base in Rustimaya. As part of his assignment, he was a pay agent responsible for directing CERP funds to pay contractors to perform work in accordance with objectives set forth by U.S. Army commanders. It is a violation of federal law for pay agents to accept personal gifts or gratuities from contractors dependent upon pay agents for contracts.

According to court documents, during and after the solicitation of contracts, Rutecki accepted cash and other things of value from an Iraqi contractor, including \$10,000 in cash, two silver rings with diamond stones, 15 gold coins worth more than \$10,000, and other valuables.

Rutecki admitted that he took the valuables and money with the understanding and belief that they were for or because of his assistance to the contractor, who received the contract.

This case was prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the District of Alaska. The case was investigated by Army CID-MPFU and DCIS.

### **Retired U.S. Army Lieutenant Colonel Sentenced for Accepting Bribes**

On June 13, 2012, Derrick L. Shoemake, a retired U.S. Army lieutenant colonel, was sentenced in U.S. District Court for the Central District of California to 41 months in prison, followed by 2 years of supervised release, and ordered to pay restitution of \$181,900 and to forfeit \$68,100. The sentencing is the result of his June 2011 guilty plea to a criminal information charging him with two counts of bribery.

According to court documents, Shoemake was deployed to Camp Arifjan, Kuwait, as a contracting officer's representative in charge of coordinating and accepting delivery of bottled water in support of U.S. troops in Iraq. While serving in Kuwait, Shoemake agreed to assist a contractor with his delivery of bottled water. In return, the contractor paid Shoemake a total of approximately \$215,000, most of which was delivered to Shoemake's designee in Los Angeles. Shoemake received an additional \$35,000 from a second contractor for his perceived influence over the award of bottled-water contracts in Afghanistan. In total, Shoemake admitted receiving approximately \$250,000 from these two government contractors in 2005 and 2006.

The case was conducted by SIGIR, DCIS, Army CID-MPFU, IRS, ICE, and the FBI.

### **Former Civilian Contractor Sentenced for Role in Scheme to Steal Military Equipment**

On July 9, 2012, David John Welch, a former U.S. civilian contractor employee, was sentenced in U.S. District Court, Raleigh, North Carolina, to 2 years

in prison followed by 3 years of supervised release, and ordered to pay restitution of \$160,000 to the DoD. Welch pled guilty on April 2, 2012, to conspiring to steal military generators in Iraq in 2011 and selling them on the black market.

According to court documents, in 2011, Welch was the operations and maintenance manager of a U.S. government contractor on Victory Base Complex in Baghdad. In this capacity, Welch had the ability to influence the distribution and movement of U.S. government equipment. In addition, Welch was in charge of overseeing the movement of generators from the compound to the Defense Reutilization and Marketing Office (DRMO). In October 2011, Welch and a co-conspirator entered into a scheme to steal and later sell approximately 38 generators on the black market in Iraq to unknown co-conspirators by diverting these generators from the DRMO to an undisclosed off-base location in Iraq. After the generators were stolen from the compound, Welch's co-conspirator provided him with four stacks of \$100 bills, totaling approximately \$38,600.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ's Criminal Division and the U.S. Attorney's Office for the Eastern District of North Carolina. The case was investigated by SIGIR, Army CID-MPFU, and the FBI.

### **Defense Contractor Charged in Armored Vehicle Fraud**

On July 19, 2012, a military contracting firm and its president were charged by a federal grand jury for the Western District of Virginia, Roanoke, in a 12-count indictment charging major fraud against the United States, wire fraud, and false claims on allegations that the contractor falsely represented the level of protection provided by armored vehicles used by the convoys of senior officials in Iraq.

According to the indictment, the company entered into a \$4 million contract in April 2006 to provide DoD with 24 armored vehicles for use in Iraq. In June 2006, the company entered a second

contract to deliver an additional eight armored vehicles. These trucks were to be used as security vehicles for Iraqi senior officials who regularly traveled by motorcade through a “hostile and dangerous environment.”

The government charged that both contracts included specific requirements for the armoring of the vehicles, including that each vehicle be reinforced to a standard at which an armor-piercing bullet could not penetrate the passenger compartment and ceiling. In addition, the contracts required the undercarriage of each armored truck have mine-plating protection that could withstand explosions underneath the vehicles. Finally, the contracts required the armored vehicles to have run-flat tires, plus one spare, so they could continue to operate should their tires be shot out or otherwise flattened.

Despite the requirement in the contract that the first 24 armored gun trucks be delivered by July 31, 2006, the company and its president failed to ship a single vehicle by that deadline. The company ultimately supplied seven armored vehicles after the contract deadline and was paid \$2,019,454. Each of these vehicles was delivered with a “Material Inspection and Receiving Report” certifying it met the contract standards.

The indictment alleges that none of the armored gun trucks delivered met the ballistic and blast protection requirements of the contracts, despite the defendant’s claims that the vehicles met the standards. The company and its president knew, according to the indictment, that each of the six armored gun trucks failed to meet the required standards, that they were defective, and that they would not protect the officials who traveled in them.

This case is being prosecuted by a trial attorney on detail from SIGIR to the Fraud Section of DoJ’s Criminal Division and the U.S. Attorney’s Office for the Western District of Virginia. The case was investigated by DCIS, the FBI, and SIGIR.

## SIGPRO Update

Under the SIGIR Prosecutorial Initiative (SIGPRO), which began in late 2009, SIGIR has hired highly experienced prosecutors and detailed them as a unit to the Fraud Section of DoJ’s Criminal Division to prosecute SIGIR investigation cases. These prosecutors are firmly ensconced at DoJ with full dockets of criminal fraud matters emanating from the Iraq reconstruction effort. They handle their own DoJ caseloads and work closely with SIGIR’s General Counsel and other DoJ prosecutors assigned to SIGIR cases. They are currently leading or significantly involved in a host of prosecutorial matters and continue to play integral roles in the development and prosecution of cases being worked by the SIGIR Investigations Directorate. In line with SIGIR reductions in staff, the SIGPRO unit now comprises two prosecutors and one legal analyst.

This quarter, a court ruled on an appeal related to SIGPRO’s action in *United States v. Pfluger*, No. 1:10-CR-54-1 (N.D. Tex. 2011). A SIGPRO attorney served as the prosecutor in this case. The defendant moved to dismiss the indictment based on the argument that the five-year statute of limitations had expired in 2009 and that he was not indicted until 2010. The government responded by arguing that the statute of limitations was suspended during the pendency of the war in Iraq by the operation of the Wartime Suspension of Limitations Act (18 U.S.C. § 3287). The trial judge agreed with this argument and denied the defendant’s motion to dismiss. The defendant subsequently pled guilty to the indictment and was sentenced in July 2011. However, in August 2011, the defendant filed an appeal with the United States Court of Appeals for the 5th Circuit, No. 11-10747. Oral arguments were heard by the Court on June 4, 2012, and the SIGPRO attorney argued for the Appellee United States of America. On June 21, 2012, the court issued the following ruling, upholding the conviction:<sup>474</sup>

This appeal arises out of the Government’s indictment of Defendant-Appellant David Pfluger for frauds Pfluger committed while serving as a

Lieutenant Colonel in the United States Army in Iraq. Centrally, his appeal deals with a minimally developed area of law—the applicability of 18 U.S.C. § 3287. Better known as the Wartime Suspension of Limitations Act, section 3287 suspends the running of the statute of limitations for certain crimes when the United States is at war. Because we find § 3287 applicable to Pfluger, we AFFIRM.

## Suspensions and Debarment

Since December 2005, SIGIR has worked closely with DoJ, Army CID-MPFU, DCIS, and the Army Legal Services Agency's Procurement Fraud Branch (PFB) to suspend and debar contractors and government personnel for fraud or corruption within the Army, including those involved in Iraq reconstruction or Army support contracts in Iraq. These cases arise as the result of criminal indictments filed in federal district courts and allegations of contractor irresponsibility that require fact-based examination by the Army's Suspension and Debarment Official. This quarter, the Army suspended 27 contractors based on allegations of

fraud in Iraq and Kuwait. In addition, the Army proposed 11 contractors for debarment and finalized 26 debarments of individuals and companies during that same period based on fraudulent activity in Iraq and Kuwait.

The Army has suspended 162 individuals and companies involved in sustainment and reconstruction contracts supporting the Army in Iraq and Kuwait since 2003, and 202 individuals and companies have been proposed for debarment, resulting in 164 finalized debarments that range in duration from 9 months to 10 years. PFB is aggressively pursuing additional companies and individuals associated with fraud related to Army contracts in Iraq, Kuwait, and other locations in Southwest Asia, with additional suspension and debarment actions projected during 2012. Suspension and debarment actions related to reconstruction and Army support-contract fraud in Afghanistan are reported to the Special Inspector General for Afghanistan Reconstruction (SIGAR). For a list of debarments, see Table 5.5. For a complete list of suspensions and debarments, see Appendix F.♦

# SIGIR OVERSIGHT

**TABLE 5.4  
CONVICTIONS (AS COMPILED BY THE DEPARTMENT OF JUSTICE)**

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Crystal Martin	Conspiracy and money laundering	6/25/2012	Pending
Richard Evick	Conspiracy, bribery, money laundering, and obstructing an agency proceeding	6/25/2012	Pending
Ahmed Kazzaz	Conspiracy, kickbacks, wire fraud, and mail fraud	5/21/2012	Pending
Nicole Luvera	Theft of government property	5/17/2012	Pending
Billy Joe Hunt	Conspiracy and filing false tax returns	5/8/2012	Pending
Gaines Newell, former DoD contractor employee	Conspiracy and filing false tax returns	4/10/2012	Pending
Maj. Christopher G. Bradley, USA	Gratuities	4/9/2012	6 months in prison; 1 year supervised release; \$20,000 restitution; and \$200 special assessment
David J. Welch, former DoD contractor employee	Conspiracy to steal government property	4/2/2012	2 years in prison; 3 years supervised release; and \$160,000 restitution
Capt. Michael G. Rutecki, USA	Gratuities	3/7/2012	3 years probation; \$10,500 restitution; \$2,000 fine; and \$100 special assessment
Sgt. Amasha M. King, USAR	Conspiracy to defraud	2/14/2012	3 months in prison; 5 years probation; \$20,500 restitution; and \$100 special assessment
John F. Hayes	Conspiracy	11/10/2011	5 months in prison; 2 years supervised release; and \$12,000 restitution
Brian D. Cornell	False statements	10/27/2011	3 months confinement; 2 years supervised release; \$1,000 fine; and \$100 special assessment
Robert A. Nelson, former USA sergeant	Conspiracy to steal public property	10/5/2011	4 years probation with the first 6 months in home confinement; \$44,830 restitution; and \$100 special assessment
Thomas A. Manok, former USACE employee	Conspiracy	9/19/2011	20 months in prison; 3 years supervised release; forfeiture of \$73,500; and \$100 special assessment
Tamimi Global Company LTD	Kickbacks	9/16/2011 (Deferred Prosecution Agreement (DPA))	\$13 million to resolve criminal and civil allegations
Eric Scott Hamilton, USMC gunnery sergeant	Conspiracy	8/10/2011	18 months in prison; 3 years supervised release; and \$124,944 restitution
Francisco Mungia III	Conspiracy	7/22/2011	4 months in prison; 3 years supervised release; and \$30,000 restitution
Barry S. Szafran	Illegally receiving a gratuity	7/15/2011	1 year probation with the first 4 months in home confinement; \$7,169 restitution; and \$100 special assessment
Justin W. Lee, former DoD contractor	Conspiracy, bribery	7/15/2011	Pending
Derrick Shoemake, retired USA lieutenant colonel	Bribery	6/13/2011	41 months in prison; 2 years supervised release; forfeiture of \$68,100; and \$181,900 restitution
David Pfluger, former USA Lt. Col.	Conspiracy, accepting gratuities, and converting the property of another to his own use	3/25/2011	18 months in prison; 3 years supervised release; and \$24,000 restitution
Charles Bowie, retired USA major	Engaging in monetary transactions in property derived from specified unlawful activity	5/11/2011	2 years in prison; 3 years supervised release; \$400,000 restitution; and \$100 special assessment

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Eddie Pressley, former USA major	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	12 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Eurica Pressley, former contractor and military spouse	Bribery, conspiracy to commit bribery, honest services fraud, money laundering conspiracy, engaging in monetary transactions with criminal proceeds	3/1/2011	6 years in prison; 3 years supervised release; and forfeiture of \$21 million, real estate, and several automobiles
Richard Razo, former DoS contractor and DoS employee	Wire fraud, wire fraud conspiracy	2/28/2011	33 months in prison; 2 years supervised release; \$106,820 restitution; and \$200 special assessment
Maj. Kevin Schrock, USA	Money laundering	2/8/2011	3 years probation; and \$47,241 restitution
Osama Ayesh, former U.S. Embassy-Baghdad employee	Theft of public money, engaging in acts affecting a personal financial interest	2/2/2011	42 months in prison; 36 months supervised release; \$243,416 restitution; and \$5,000 fine
Capt. Bryant Williams, USA	Honest services fraud, accepting bribes	12/17/2010	3 years in prison; 3 years supervised release; forfeiture of \$57,030; and \$200 special assessment
Mark Carnes, USAF master sergeant	Bribery	12/16/2010	20 months in prison; 3 years supervised release; and \$4,000 fine
Michelle Adams, former DoD contractor	Bribery	12/7/2010	15 months in prison followed by supervised release
Frankie Hand, Jr., retired USN lieutenant commander	Fraud, bribery, and receiving illegal gratuities	12/7/2010	3 years in prison and forfeiture of \$757,525
Peter Dunn, former DoD contractor	Bribery	11/19/2010	14 months in prison and 2 years supervised release
Louis Berger Group	Major fraud statute	11/5/2010 (DPA)	\$18.7 million in criminal penalties; civil settlement of \$50.6 million; full restitution to USAID; adopt effective standards of conduct, internal control systems, and ethics training for employees; and employ an independent monitor to evaluate and oversee the companies compliance with the DPA for 2 years
Salvatore Pepe	Conspiracy to defraud	11/5/2010	Pending
Precy Pellettieri	Conspiracy to defraud	11/5/2010	Pending
Maj. Roderick Sanchez, USA	Bribery	10/27/2010	5 years in prison; 3 years supervised release; and \$15,000 fine
Maj. Richard Harrington, USMC	Receiving illegal gratuities	10/18/2010	1 year and 1 day in prison; and restitution
Lt. Col. Bruce Gillette, USAR	Acts affecting a personal financial interest	10/6/2010	1 year probation; \$2,000 fine; 160 hours community service; and inability to possess a firearm
Mariam Steinbuch, former USMC staff sergeant	Bribery	10/5/2010	5 years probation and \$25,000 restitution
Ismael Salinas	Kickbacks	10/1/2010	Pending
Dorothy Ellis	Conspiracy	9/2/2010	37 months in prison; 3 years probation; and \$360,000 restitution
Wajdi Birjas, former DoD contract employee	Bribery, money laundering	8/11/2010	Pending
Maj. Mark Fuller, USMC	Structuring financial transactions	8/4/2010	1 year and 1 day in prison; \$198,510 fine; and \$200 special assessment
Maj. Charles Sublett, USA	False statements	7/7/2010	21 months in prison; 2 years supervised release; and forfeiture of \$107,900 and 17,120,000 in Iraqi dinar
Capt. Faustino Gonzales, USA	Receipt of a gratuity by a public official	6/24/2010	15 months in prison; 1 year supervised release; \$10,000 fine; \$25,500 restitution; and \$100 special assessment

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# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
MSGT Terrance Walton, USMC	Bribery, graft, failure to obey a direct order	5/17/2010	Reprimand; reduction in rank from E-8 to E-3; \$65,000 fine; and 62 days confinement
Capt. Eric Schmidt, USMC	Wire fraud, filing a false federal tax form	5/17/2010	72 months in prison; 3 years probation; and \$2,150,613 restitution
William Collins, USA civilian	Bribery	4/21/2010	42 months in prison; 3 years supervised release; \$1,725 fine; and forfeiture of \$5,775
SFC Ryan Chase, USA	Illegal gratuities, money laundering, false statements	4/21/2010	1 year and 1 day in prison; 2 years probation; and \$1.4 million restitution
Marcus McClain	Acceptance of illegal gratuities	4/15/2010	Pending
Kevin A. Davis	Acceptance of illegal gratuities	4/13/2010	Pending
Janet Schmidt, contractor and military spouse	Filing a false tax return and fraud	3/18/2010	1 year home confinement; 3 years probation; and \$2,150,613 restitution
Terry Hall, contractor	Conspiracy, bribery	2/17/2010	39 months in prison; 1 year supervised release; and forfeiture of \$15,757,000
Theresa Russell, former USA staff sergeant	Money laundering	1/28/2010	5 years probation and \$31,000 restitution
Capt. Michael D. Nguyen, USA	Theft and structuring financial transactions	12/7/2009	30 months in prison; 3 years supervised release; \$200,000 restitution; and forfeit his interest in all personal property bought with the stolen money as well as the remaining funds seized by the government at the time of his arrest
Ronald Radcliffe	Bribery and money laundering	10/16/2009	40 months in prison and \$30,000 fine
Joselito Domingo	Bribery	11/19/2009	39 months in prison; 2 years supervised release; and \$70,000 fine
Gloria Martinez	Bribery and conspiracy	8/12/2009	5 years in prison
Robert Jeffery	Conspiracy and theft	8/11/2009	4 years in prison
William Driver	Money laundering	8/5/2009	3 years probation, to include 6 months home confinement, and \$36,000 restitution
Nyree Pettaway	Conspiracy to obstruct justice	7/28/2009	1 year and 1 day in prison; 2 years supervised release; and \$5 million restitution
Michel Jamil	Conspiracy	7/27/2009	40 months in prison
Robert Young	Conspiracy and theft of government property	7/24/2009	97 months in prison; 3 years supervised release; forfeiture of \$1 million; and \$26,276,472 restitution
Samir Itani	Conspiracy	7/21/2009	2 years in prison; 3 years supervised release; \$100,000 fine; and \$100 special assessment
Tijani Saani	Filing false tax returns	6/25/2009	110 months in prison; 1 year supervised release; \$1.6 million fine; and \$816,485 restitution to the IRS
Diane Demilta	Wire fraud	5/27/2009	6 months in prison; 12-month house arrest; 2 years supervised release; \$20,000 fine; and \$70,000 restitution
Benjamin R. Kafka	Mispriision of a felony	5/18/2009	Pending
Elbert W. George III	Theft of government property; conspiracy	5/18/2009	60 days intermittent confinement; 2 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Roy Greene \$52,286.60 restitution
Roy Greene, Jr.	Theft of government property; conspiracy	5/18/2009	3 years supervised release; forfeit \$103,000; and pay jointly and severally with co-conspirator Elbert George \$52,286.60 restitution
Frederick Kenvin	Conspiracy	4/30/2009	3 years probation and \$2,072,967 restitution

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NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Stephen Day	Conspiracy to defraud the United States by misrepresentation	4/13/2009	3 years probation; \$41,522 restitution; and \$2,000 fine
Jeff Alex Mazon, contractor, KBR	Major fraud against the United States and wire fraud	3/24/2009	1 year probation; 6 months home confinement; and \$5,000 fine
Carolyn Blake, Sister of Maj. John Cockerham	Conspiracy and money laundering	3/19/2009	70 months in prison; 3 years of supervised release; and \$3.1 million restitution
Michael Carter, Project Engineer, Force Protection Industries	Violating the Anti-Kickback Act	1/25/2009	61 months in prison and 3 years supervised release
Harith al-Jabawi, contractor	Conspiracy, bribery, and false statements	1/22/2009	Pending
Maj. Christopher Murray, USA contracting officer	Bribery and false statements	1/8/2009	57 months in prison; 3 years supervised release; and \$245,000 restitution
Maj. Theresa Baker, USAR contracting officer	Conspiracy and bribery	12/22/2008	70 months in prison and \$825,000 restitution
Col. Curtis Whiteford, USAR Senior Official, CPA-South Central Region	Conspiracy, bribery, and wire fraud	11/7/2008	5 years in prison; 2 years supervised release; and \$16,200 restitution
Lt. Col. Michael Wheeler, USAR CPA reconstruction advisor	Conspiracy, bribery, wire fraud, interstate transportation of stolen property, and bulk cash smuggling	11/7/2008	42 months in prison; 3 years supervised release; \$1,200 restitution; and \$100 special assessment
David Ramirez, contractor, Readiness Support Management, Inc.	Bulk currency smuggling and structuring transactions	10/9/2008	50 months in prison; 3 years supervised release; and \$200 special assessment
Lee Dubois, contractor, Future Services General Trading and Contracting Company	Theft of government property	10/7/2008	3 years in prison and repayment of \$450,000 that represented the illegal proceeds of the scheme
Robert Bennett, contractor, KBR	Violating the Anti-Kickback Act	8/28/2008	1 year probation and \$6,000 restitution
Maj. James Momon, Jr., USA contracting officer	Conspiracy and bribery	8/13/2008	Pending
Lt. Col. Debra M. Harrison, USA Acting Comptroller for CPA-South Central Region	Conspiracy, bribery, money laundering, wire fraud, interstate transportation of stolen property, smuggling cash, and preparing false tax returns	7/28/2008	30 months in prison; 2 years supervised release; and \$366,640 restitution
Capt. Cedar Lanmon, USA	Accepting illegal gratuities	7/23/2008	1 year in prison and 1 year supervised release
Jacqueline Fankhauser	Receipt of stolen property	6/30/2008	1 year probation; 180 days home confinement; 104 hours community service; \$10,000 fine; and \$100 special assessment
Maj. John Lee Cockerham, Jr., USA contracting officer	Bribery, conspiracy, and money laundering	6/24/2008	210 months in prison; 3 years of supervised release; and \$9.6 million restitution
Melissa Cockerham, Wife of Maj. John Cockerham	Conspiracy and money laundering	6/24/2008	41 months in prison; 3 years of supervised release; and \$1.4 million restitution
Lt. Col. Levonda Selph, USAR contracting officer	Conspiracy and bribery	6/10/2008	12 months in prison; 3 years supervised release; \$5,000 fine; and \$9,000 restitution
Raman International Corp.	Conspiracy and bribery	6/3/2008	\$500,000 fine and \$327,192 restitution
Capt. Austin Key, USA contracting officer	Bribery	12/19/2007	2 years confinement; 2 years supervised release; \$600 assessment; and forfeit \$108,000
Maj. John Rivard, USAR contracting officer	Bribery, conspiracy, and money laundering	7/23/2007	10 years in prison; 3 years supervised release; \$5,000 fine; and \$1 million forfeiture order
Kevin Smoot, Managing Director, Eagle Global Logistics, Inc.	Violating the Anti-Kickback Act and making false statements	7/20/2007	14 months in prison; 2 years supervised release; \$6,000 fine; and \$17,964 restitution
Anthony Martin, subcontractor administrator, KBR	Violating the Anti-Kickback Act	7/13/2007	1 year and 1 day in prison; 2 years supervised release; and \$200,504 restitution

*Continued on the next page*

# SIGIR OVERSIGHT

NAME	CHARGES	DATE OF CONVICTION	SENTENCE
Jesse D. Lane, Jr., USAR 223rd Finance Detachment	Conspiracy and honest services wire fraud	6/5/2007	30 months in prison and \$323,228 restitution
Steven Merkes, DoD civilian, operational support planner	Accepting illegal gratuities	2/16/2007	12 months and 1 day in prison and \$24,000 restitution
Chief Warrant Officer Peleti "Pete" Peleti, Jr., USA, Army's food service advisor for Kuwait, Iraq, and Afghanistan	Bribery and smuggling cash	2/9/2007	28 months in prison and \$57,500 fine and forfeiture
Jennifer Anjakos, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$86,557 restitution; and \$100 assessment
Sgt. Carlos Lomeli Chavez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$28,107 restitution; and \$100 assessment
Sgt. Derryl Hollier, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$83,657.47 restitution; and \$100 assessment
Sgt. Luis Lopez, USAR 223rd Finance Detachment	Conspiracy to commit wire fraud	11/13/2006	3 years probation; \$66,865 restitution; and \$100 assessment
Bonnie Murphy, contracting officer	Accepting unlawful gratuities	11/7/2006	1 year supervised release and \$1,500 fine
Samir Mahmoud, employee of U.S. construction firm	Making false statements	11/3/2006	1 day credit for time served and 2 years supervised release
Gheevarghese Pappen, USACE civilian	Soliciting and accepting illegal gratuities	10/12/2006	2 years in prison; 1 year supervised release; and \$28,900 restitution
Lt. Col. Bruce Hopfengardner, USAR special advisor to CPA-South Central Region	Conspiracy, conspiring to commit wire fraud and money laundering, and smuggling currency	8/25/2006	21 months in prison; 3 years supervised release; \$200 fine; and \$144,500 forfeiture
Faheem Mousa Salam, interpreter, Titan Corp.	Violating the Foreign Corrupt Practices Act's Anti-Bribery Provisions	8/4/2006	3 years in prison; 2 years supervised release; 250 hours community service; and \$100 special assessment
Mohammad Shabbir Khan, director of operations for Kuwait and Iraq, Tamimi Global Co., Ltd.	Violating the Anti-Kickback Act	6/23/2006	51 months in prison; 2 years supervised release; \$10,000 fine; \$133,860 restitution; and \$1,400 assessment
	Witness tampering	8/10/2009	15 months in prison; 2 years supervised release; \$6,000 fine; and \$200 special assessment
Philip Bloom, Owner: Global Business Group, GBG Holdings, and GBG-Logistics Division	Conspiracy, bribery, and money laundering	3/10/2006	46 months in prison; 2 years supervised release; \$3.6 million forfeiture; \$3.6 million restitution; and \$300 special assessment
Stephen Seamans, subcontracts manager, KBR	Wire fraud, money laundering, and conspiracy	3/1/2006	12 months and 1 day in prison; 3 years supervised release; \$380,130 restitution; and \$200 assessment
Christopher Cahill, regional vice president, Middle East and India, Eagle Global Logistics, Inc.	Major fraud against the United States	2/16/2006	30 months in prison; 2 years supervised release; \$10,000 fine; and \$100 assessment (a civil settlement with EGL arising from the same facts resulted in a settlement of \$4 million)
Robert Stein, CPA-South Central comptroller and funding officer	Felon in possession of a firearm, possession of machine guns, bribery, money laundering, and conspiracy	2/2/2006	9 years in prison; 3 years supervised release; \$3.6 million forfeiture; \$3.5 million restitution; and \$500 special assessment
Glenn Powell, subcontracts manager, KBR	Major fraud and violating the Anti-Kickback Act	8/1/2005	15 months in prison; 3 years supervised release; \$90,973.99 restitution; and \$200 assessment

Note: Does not include non-U.S. court results from joint SIGIR/foreign law enforcement investigations or results from courts martial.

TABLE 5.5

## DEBARMENT LIST

NAME	DEBARRED	NAME	DEBARRED	NAME	DEBARRED
Peter D. Dunn	6/14/2012	Ehsan Hassan Al-Ameli	11/29/2011	Ammar Tariq Al Jazrawi	1/10/2011
Global Procurement, Inc.	6/14/2012	Al AALI General Contracting Co.	11/28/2011	Ammar Tareq Al Jazrawi General Contracting Company	1/10/2011
World Wide Procurement and Construction, LLC	6/14/2012	Mahmoud Shakier Mahmoud	10/14/2011	Liberty Al-Ahlia General Trading and Contracting Company	12/13/2010
Michelle Lynn Adams	6/14/2012	Ahmad Muhammed Hassan	10/13/2011	Bronze Al-Taqqos Al-Afjan	12/13/2010
Matrix International	5/17/2012	Al Ula Iraq	10/12/2011	International Quality Kitchens Ardiya	12/13/2010
Jose Flores	5/17/2012	Al Ula FZCO	10/12/2011	John Napolian	12/13/2010
Barry Steven Szafran	5/17/2012	Al Ula Global Trading, LLC	10/12/2011	Joseph Sebastian	12/13/2010
Jossey V. Varghese	5/17/2012	Chet M. Fazand	9/13/2011	N.K. Ismail	12/13/2010
Specialised Security Systems	5/17/2012	Chad M. Fazand	9/13/2011	Biju Thomas	12/13/2010
Thomas Aram Manok	5/17/2012	Fazand International Trading, LLC	9/13/2011	Combat General Trading Company	12/13/2010
SIMA International	5/17/2012	Al Dalla Co.	9/13/2011	Jank Singh	11/24/2010
Ali Amer Huissein	5/17/2012	Faustino L. Gonzales, CAPT, USA	9/7/2011	Blue Marine Services	11/24/2010
Majeed Sahdi Majeed	5/17/2012	Chasib Khazal Mehdi Al Mosawi	9/7/2011	Blue Marines General Trading, LLC	11/24/2010
Al Said Company for General Contracts	5/17/2012	Quasay Shamran Mehdi Al-Mosawi	9/7/2011	Blue Marines	11/24/2010
C Building	5/17/2012	The Economical Group	9/7/2011	Blue Marines Group	11/24/2010
Al Andalus/A- Cap Company	5/17/2012	Jenna International, Inc.	8/4/2011	BMS Logistics	11/24/2010
Al Baqier Company	5/17/2012	Al-Methwad Company	7/21/2011	BMS Group	11/24/2010
Mohammed Baqier	5/17/2012	Tariq Zadan Dawood	7/21/2011	BMS General Trading, LLC	11/24/2010
Frederick Manfred Simon	5/17/2012	Tareq Zaidan Dawod	7/21/2011	Christopher Murray	11/10/2010
Manfred Otto Simon	5/17/2012	Tariq Zaidon Dawod	7/21/2011	Curtis Whiteford	10/22/2010
Railway Logistics International, Inc.	5/17/2012	Tariq Zaidon Dawod	7/21/2011	William Driver	10/22/2010
Engineering International Corporation	5/17/2012	Tarik Zaidon Dawood	7/21/2011	Allied Arms Company, Ltd.	9/28/2010
Eric Hamilton	4/30/2012	Abd Al Alim Abbad	7/21/2011	Allied Arms Company, W.L.L.	9/28/2010
Mike Atallah	2/25/2012	Frankie Joseph Hand	7/21/2011	Shahir Nabih Fawzi Audah	9/28/2010
Marta Atallah	2/25/2012	Richard Joseph Harrington	7/21/2011	Defense Consulting and Contracting Group, LLC	9/28/2010
Theresa J. Baker, MAJ, USA	2/25/2012	Janet L. Schmidt	6/22/2011	Amwaj Al-Neel Company	9/22/2010
Theodore Q. Williams	2/17/2012	Mariam M. Steinbuch	6/6/2011	Baladi Company	9/22/2010
Ozgen Kacar	2/17/2012	Mark Carnes	6/3/2011	Desert Moon Company	9/22/2010
Mezin Kacar	2/17/2012	Terence O. Walton	6/3/2011	Ameer S. Fadheel	9/22/2010
Ayfer Atilan	2/17/2012	Al Aali Future Mario Company	5/11/2011	Oday Abdul Kareem	9/22/2010
Al Amal Al Mushrig Company	2/15/2012	Eric K. Schmidt	4/20/2011	Maytham Jassim Mohammad	9/22/2010
Charles E. Sublett, MAJ, USA	1/19/2012	Mark R. Fuller	4/1/2011	Michael Dung Nguyen	8/19/2010
Ali Hatham Soleiman	12/15/2011	Ahmad Mustafa	1/25/2011	Michael Wheeler	7/28/2010
Al Anbar Trucking Association	12/15/2011	Mubarek Hamed	1/25/2011	Austin Key	7/14/2010
Abed Errazak Soleiman	12/15/2011	Ali Mohammed Bagegni	1/25/2011	Marko Rudi	5/26/2010
Saad Soleiman	12/15/2011	Abdel Azzim El-Saddig	1/25/2011	Ashraf Mohammad Gamal	4/16/2010
Taleb Alirfan	12/15/2011	Mark Deli Siljander	1/25/2011	<i>Continued on next column</i>	
Shalan Alirfan	12/15/2011	Preety Pellettieri	1/12/2011		
David Pfluger, LTC, USA (Ret.)	12/6/2011	Salvatore Pepe	1/12/2011		

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# SIGIR OVERSIGHT

NAME	DEBARRED	NAME	DEBARRED	NAME	DEBARRED
Triple A United General Trading and Contracting	4/16/2010	Starcon Ltd., LLC	6/17/2009	Abdullah Hady Qussay	6/27/2007
Jeff Thompson	3/29/2010	Cedar J. Lanmon, CPT, USA	6/3/2009	Al Riyadh Laboratories and Electricity Co.	1/26/2007
John Cockerham	3/17/2010	D+J Trading Company	5/14/2009	Thomas Nelson Barnes	1/24/2007
Melissa Cockerham	3/17/2010	Jesse D. Lane, Jr.	1/30/2009	Danube Engineering and General Contracting	12/28/2006
Carolyn Blake	3/17/2010	Jennifer Anjakos	1/30/2009	Alwan Faiq	12/28/2006
Nyree Pettaway	3/17/2010	Carlos Lomeli Chavez	1/30/2009	Christopher Joseph Cahill	11/9/2006
Robert Young	3/9/2010	Derryl Hollier	1/30/2009	Ahmed Hassan Dayekh	9/26/2006
Elbert Westley George III	1/21/2010	Luis A. Lopez	1/30/2009	Diaa Ahmen Abdul Latif Salem	5/14/2009, 6/2/2006
Roy Greene	1/21/2010	Mohammed Shabbir Kahn	10/10/2008	Jasmine International Trading and Service Company	5/14/2009, 6/2/2006
Ofelia Webb	1/21/2010	Kevin Andre Smoot	9/30/2008	Custer Battles	3/17/2006
Patrick Faust	1/21/2010	Green Valley Company	9/17/2008, 5/18/2007	Robert Wiesemann, CW2, USA	3/6/2006
Ali N. Jabak	9/30/2009	Triad United Technologies, LLC	9/17/2008	Glenn Allen Powell	2/16/2006
Liberty A. Jabak	9/30/2009	Dewa Europe	9/17/2008	Amro Al Khadra	1/12/2006
Liberty's Construction Company	9/30/2009	Dewa Trading Establishment	9/17/2008	Dan Trading and Contracting	1/12/2006
Tharwat Taresh	9/30/2009	Al Ghannom and Nair General Trading Company	9/17/2008	Steven Ludwig	9/29/2005
Babwat Dourat Al-Arab	9/30/2009	Dewa Projects (Private), Ltd.	9/17/2008	DXB International	9/29/2005
Dourat Al-Arab	9/30/2009	Future AIM United	9/17/2008		
Hussein Ali Yehia	9/30/2009	First AIM Trading and Contracting	9/17/2008		
Amina Ali Issa	9/30/2009	Vasantha Nair	9/17/2008		
Adel Ali Yehia	9/30/2009	K. V. Gopal	9/17/2008		
Javid Yousef Dalvi	9/25/2009	Falah Al-Ajmi	9/17/2008		
Mohamed Abdel Latif Zahed	9/10/2009	Trans Orient General Trading	9/17/2008		
Gerald Thomas Krage	9/4/2009	Zenith Enterprises, Ltd.	9/17/2008		
Andrew John Castro	9/4/2009	Peleti "Pete" Peleti, CWO, USA	6/15/2008		
Airafidane, LLC	9/4/2009	Al Sawari General Trading and Contracting Company	3/13/2008		
Kevin Arthis Davis	8/20/2009	John Allen Rivard, MAJ, USAR	1/14/2008		
Jacqueline Fankhauser	8/7/2009	Samir Mahmoud	11/29/2007		
Debra M. Harrison, LTC, USAR	8/7/2009	Robert Grove	10/30/2007		
Nazar Abd Alama	7/1/2009	Steven Merkes	9/27/2007		
San Juan Company	7/1/2009	Bruce D. Hopfengardner, LTC, USAR	9/20/2007		
Mississippi Company for the General Contract	7/1/2009	Robert J. Stein, Jr.	8/16/2007		
Lee Dynamics International	6/17/2009	Philip H. Bloom	8/8/2007		
Lee Defense Services Corporation	6/17/2009	Global Business Group S.R.L.	8/8/2007		
George H. Lee	6/17/2009	Stephen Lowell Seamans	7/27/2007		
Justin W. Lee	6/17/2009	Gheevarghese Pappen	6/28/2007		
Oai Lee	6/17/2009	Faheem Mousa Salam	6/28/2007		
Mark J. Anthony	6/17/2009	QAH Mechanical and Electrical Works	6/27/2007		
Levonda J. Selph	6/17/2009				

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## SIGIR HOTLINE

The SIGIR Hotline facilitates the reporting of fraud, waste, abuse, mismanagement, and reprisal in all programs associated with Iraq reconstruction efforts funded by the U.S. taxpayer. Cases received by the SIGIR Hotline that are not related to programs and operations funded with amounts appropriated or otherwise made available for the reconstruction of Iraq are transferred to the appropriate entity. The SIGIR Hotline receives walk-in, telephone, mail, fax, and online contacts from people in Iraq, the United States, and throughout the world.

**TABLE 5.6**  
**SUMMARY OF SIGIR HOTLINE CASES,**  
**AS OF 6/30/2012**

<b>OPEN CASES</b>				
Investigations				17
Audits				1
Review				1
<b>Total Open</b>				<b>19</b>
CLOSED CASES	4TH QTR 2011	1ST QTR 2012	2ND QTR 2012	CUMULATIVE*
FOIA	–	–	–	4
OSC Review	–	–	–	2
Assists	–	–	–	47
Dismissed	2	1	1	146
Referred	8	2	2	396
Inspections	–	–	–	80
Investigations	9	–	–	155
Audits	–	–	–	29
<b>Total Closed</b>	<b>19</b>	<b>3</b>	<b>3</b>	<b>859</b>
<b>Cumulative* Open &amp; Closed</b>				<b>878</b>

\*Cumulative total covers the period since the SIGIR Hotline began operations—from 3/24/2004 to 6/30/2012.

### Second Quarter Reporting

As of June 30, 2012, the SIGIR Hotline had initiated 878 cases. Of these cases, 859 have been closed, and 19 cases remain open. For a summary of these cases, see Table 5.6.

### New Cases

During this reporting period, the SIGIR Hotline received 4 new complaints, bringing the cumulative total to 878 Hotline cases:

- 3 involved contractual issues.
- 1 involved a personnel issue.

The SIGIR Hotline receives most reports of perceived instances of fraud, waste, abuse, mismanagement, and reprisal through the website and email. Of SIGIR's 4 new Hotline complaints, all were received through the SIGIR Hotline website.

### Closed Cases

During this quarter, SIGIR closed 3 Hotline cases:

- 2 were referred to other inspector general agencies.
- 1 was dismissed because it did not fall under SIGIR's purview.

### Referred Complaints

After a thorough review, SIGIR referred 2 complaints to outside agencies for proper resolution:

- 1 was sent to the Department of the Army Office of Inspector General.
- 1 was sent to the Department of State Office of Inspector General. ◆

## SIGIR WEBSITE

During this reporting period, the SIGIR website ([www.sigir.mil](http://www.sigir.mil)) recorded these activities:

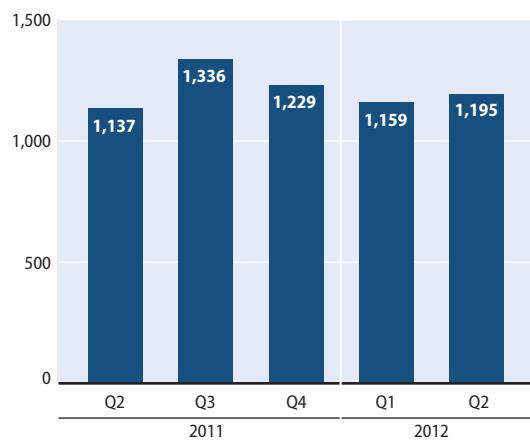
- Just under 109,000 users visited the SIGIR website—1,195 users per day.
- The Arabic-language section of the site received more than 3,500 visits.
- The most frequently downloaded documents were SIGIR's most recent Quarterly Reports.
- The SIGIR website fed more than 38,000 content subscriptions. Information is updated to the web feeds, which are automatically downloaded to subscribers' computers and can be viewed by feed-reader programs.

SIGIR's custom Google site search has returned more than 15,500 results since its inception in April 2010.

For an overview of daily visits to the SIGIR website, see Figure 5.4. ◆

FIGURE 5.4

AVERAGE NUMBER OF VISITORS PER DAY TO SIGIR WEBSITE, BY QUARTER, 4/1/2011–6/30/2012



Source: DoD, IMCEN, response to SIGIR data call, 7/6/2012.

## LEGISLATIVE UPDATE

During this quarter, the Congress made important progress on appropriations and authorization legislation related to SIGIR, Iraq reconstruction, and related matters, but no final action was taken. The Inspector General testified at one hearing.

### Testimony

On June 28, the Inspector General testified before the Subcommittee on National Security, Homeland Defense, and Foreign Operations of the House Committee on Oversight and Government Reform, providing SIGIR's "Assessment of the Transition from a Military to a Civilian-Led Mission in Iraq." The testimony addressed the Police Development Program, the security situation, the Office of Security Cooperation-Iraq (OSC-I), the transfer and sustainment of reconstruction assets, and the increase in SIGIR's criminal investigative activity. SIGIR's conclusion was that the lessons learned from the transition—the same lessons from the overall reconstruction experience—amount to a call for action: the Congress should reform the U.S. approach to stabilization and reconstruction operations.

The Inspector General noted that one crucial remedy could be achieved through the passage of H.R. 3660, which would coalesce the disparate management of stabilization and reconstruction operations (SROs) within one entity called the U.S. Office for Contingency Operations (USOCO). This reform would reduce costs and increase efficiencies by permanently bolstering the U.S. capacity to respond to and execute stabilization operations. Most notably, creating USOCO would resolve the burdensome interagency management problems inherent in the current stove-piped approach, problems still well in evidence in Afghanistan. The Congress could also act to improve oversight

of SROs by creating the Special Inspector General for Overseas Contingency Operations. This would capture the capacities developed at SIGIR and the Special Inspector General for Afghanistan Reconstruction (SIGAR), securing the oversight of future stabilization operations from ad hoc approaches.

### Appropriations Legislation

The House and Senate Committees on Appropriations have each reported State Department/foreign assistance bills, and the House has passed its defense bill.

In its introduction to the Department of State/foreign assistance bill, the Senate Committee on Appropriations observed in its report that, while significant funds have been spent on civilian assistance programs in Iraq (and countries facing similar problems) to support counterterrorism/counterinsurgency efforts, progress has "too often been limited by vaguely defined and unrealistic goals, exorbitant security costs, contractor fraud and mismanagement, large expenditures on infrastructure that cannot be sustained, and unreliable host country governments." It called for future programs to better support long-term development needs with "set funding ceilings for operations and programs."

The committee said it "expects future budget requests to be significantly reduced" as the footprint of U.S. programs gets smaller and as Iraq's own revenues increase. Moreover, surplus budget amounts from past years may be available for Iraq's use in funding its own development.

The House committee said that it "understands that the Department of State is continuing to review the diplomatic and operational presence in the frontline states of Afghanistan, Pakistan and Iraq. The Committee expects these reviews to yield

a smaller, more streamlined, operational footprint than was originally planned in the fiscal year 2013 budget....The Committee does not support the requested increase in staffing in the frontline states, other than the increases necessary to provide security for diplomatic and development personnel.”

With respect to its funding for assistance to the “frontline states,” the House committee said that it “understands the importance of United States assistance to secure and stabilize the front-line states of Afghanistan, Pakistan, and Iraq. The Committee notes that in spite of a lower funding allocation, these countries remain a priority, and the Committee provides the necessary funding to meet the critical objectives that are closely connected to military efforts. The Committee is committed to applying the lessons learned from the transition in Iraq to the upcoming transition in Afghanistan and includes a new certification requirement to ensure that funds are spent wisely, necessary agreements with the host government are in place, and security concerns are addressed.”

## State Department and Foreign Operations

Both the Senate and House Committees on Appropriations reported their respective versions of the State, Foreign Operations, and Related Programs appropriations bills for FY 2013. As of July 19, 2012, neither had been considered on the floor. For details of both versions, see Table 5.7.

### SIGIR and Related Provisions

No request was made for SIGIR in the President’s FY 2013 budget request, although the FY 2012 budget request included funding for SIGIR for the first quarter of FY 2013. In its FY 2013 bill, the Senate committee provided \$6 million for SIGIR under the Overseas Contingency Operations (OCO) title. The committee report recommended that the funding be provided for SIGIR operations to draw down by March 31, 2013, and that SIGIR’s investigative branch also receive “adequate funding to transfer SIGIR investigators to SIGAR until

this function draws down no later than March 31, 2014.” The Committee expects SIGIR and SIGAR to coordinate this transfer to allow completion of open cases, minimizing administrative, support, and rent costs.

Specifically, the legislative language included provisions to the effect that: (a) balances remaining available to SIGIR on March 24, 2013, shall be made available for SIGAR for Iraq-related reconstruction oversight; (b) all investigative functions and personnel of SIGIR (including attorneys and related support personnel detailed to the Department of Justice) shall be transferred to SIGAR, who shall thereafter exercise the authorities related to criminal investigations granted by law to SIGIR until March 31, 2014; (c) that the activities carried out by such investigative and support personnel and attorneys shall continue without interruption, and shall be supervised only by SIGAR, notwithstanding any other provision of law; and (d) on March 30, 2013, SIGIR shall be abolished.

SIGIR is required to provide a spend plan within 30 days after the date of enactment of the appropriations act.

As in the past, in report language, the committee directed the Department of State (DoS) Inspector General, the U.S. Agency for International Development Inspector General, and SIGIR to coordinate their audit plans and activities to minimize unnecessary duplication, ensure comprehensive oversight, and maximize the effective use of resources. The committee directed State’s OIG to continue planning for increased responsibilities when SIGIR draws down its oversight operations, ensuring that the FY 2014 budget request take into consideration those “personnel authorities required to conduct adequate oversight” of DoS’s Iraq operations and programs. The committee specifically recommended just under \$1.4 million for the DoS OIG’s Middle East Regional Office “in addition to funds otherwise made available for such purposes, to support additional auditors to meet the increased demands as SIGIR draws down.”

The House committee report reiterated the need for continued coordination of audit plans and activities involving DoS operations and programs to “ensure the development of comprehensive oversight plans and to avoid duplication and overlap.” Specifically, the committee directs DoS OIG to work closely with SIGIR as it “draws down operations and completes the transition of remaining work to the permanent oversight offices.”

Neither the House bill nor the committee report provides funding for SIGIR for FY 2013.

### **Operations**

The House Committee on Appropriations did not set specific limitations for operating expenses in Iraq. The Senate Committee on Appropriations provided the following limitations:

- \$450 million for DoS operating expenses (noting that an additional \$1.65 billion in prior fiscal-year funds will carry over for use in FY 2013)
- \$53 million for USAID operating expenses

Funds appropriated by the bill could not be used to construct or renovate facilities if the purpose of the construction was to accommodate staff in addition to those in place or to increase the capacity of aviation assets above those existing on the date of the bill’s enhancement, and also—more broadly—“for construction, rehabilitation, or other improvements to facilities in Iraq on property” if land-use agreements with the GOI have not been obtained. The bill, in section 7004(g), requires the Secretary of State to submit an updated facilities construction plan, “which should include consideration of closing the facility at Kirkuk and moving support services to Erbil; decreasing personnel, contractor, and physical structures in Basrah to establish a leaner operation; and centralizing certain administrative and support functions that require a more permissive security environment (including purchasing of local goods and warehousing) in Erbil.”

The committee directed the Secretary of State to submit a report concerning the impact of the security environment on the effectiveness of DoS and USAID programs in Iraq, by region, providing:

- an assessment of the current security situation
- the impact of the security situation on the planned obligation and expenditure of funds and the movement of personnel
- an explanation of the type and nature of any increased security costs
- details on the impact of the delivery of humanitarian assistance
- a plan to ameliorate the negative impact of a deteriorating security condition

The committee reported that it expects the number of U.S. government personnel and contractors in Iraq to decrease significantly as facilities are consolidated, directing the Secretary of State “to submit a report not later than 45 days after enactment of this act, and every 90 days thereafter until September 30, 2014, detailing the number of United States Government personnel and contractors in Iraq, disaggregated by Federal agency.”

### **Assistance**

The House Committee on Appropriations did not set specific amounts to be available for Iraq. The Senate Committee on Appropriations set a ceiling of just under \$582.4 million for combined FY 2013 assistance for Iraq under titles relating to bilateral economic assistance, international security assistance, and OCO. The committee noted that unobligated balances of prior-year funding totaled nearly \$1.98 billion as of March 31, 2012.

### **Defense Appropriations**

On July 19, the House passed the Department of Defense Appropriations Act, 2013 (H.R. 5856). As of July 23, 2012, the Senate Committee had not acted at either the subcommittee or full committee levels.

The House bill and committee report provide very few specific references to Iraq. Section 9012 provides that up to \$508 million of funds made available for “Operation and Maintenance, Air Force” may be used to support U.S. government “transition activities in Iraq by funding the operation and activities of [OSC-I] and security

# SIGIR OVERSIGHT

TABLE 5.7

**PROPOSED FY 2013 APPROPRIATIONS FOR DEPARTMENT OF STATE AND FOREIGN OPERATIONS AND ASSISTANCE PROGRAMS—HOUSE AND SENATE COMMITTEE BILLS**

FUNDING TYPE	H.R. 5857	S. 3241
<b>Operations</b>		
Diplomatic and Consular Programs; USAID Operating Expenses	<p>A total of \$2.775 billion is provided for Afghanistan, Pakistan, and Iraq operations (DoS's ongoing operations and Overseas Contingency Operations/Global War on Terrorism, or OGO/GWOT). The committee stated in its report that it expected DoS reviews of in-country presence "to yield a smaller, more streamlined, operational footprint than was originally planned" in the FY 2013 budget.</p> <p>Section 8003 rescinds \$54 million of OCO/GWOT funds appropriated under the Diplomatic and Consular Programs heading in prior acts. There is no indication whether this rescission will affect funds allocated for operations in Iraq.</p> <p>Section 7003 provides [as in the past] that funds appropriated in the act, or similar prior acts, "which may be made available for the acquisition of property for diplomatic facilities in ... Iraq, shall be subject to prior consultation with, and the regular notification procedures of, the Committees on Appropriations."</p> <p>\$258.4 million is provided for OCO/GWOT USAID Operating Expenses worldwide, but no specific reference to USAID Operating Expenses in Iraq is made. Portions of an additional \$1.016 billion provided for these expenses worldwide could be used for Iraq.</p>	<p>DoS operating expenses:</p> <ul style="list-style-type: none"> <li>• \$250 million for enduring costs</li> <li>• \$200 million for OCO costs</li> </ul> <p>USAID operating expenses:</p> <ul style="list-style-type: none"> <li>• \$250 million for enduring costs</li> <li>• \$200 million for OCO costs</li> </ul> <p>Section 7034(s) provides for a waiver of funding ceilings relating to DoS and USAID for operations in Iraq (and in certain other countries) "in order to address extraordinary, unanticipated contingencies, if the Secretary reports to the Committees on Appropriations that it is important to the national interest of the United States and that failure to do so would pose a substantial risk to human health and welfare."</p>
Embassy Security, Construction, and Maintenance	<ul style="list-style-type: none"> <li>• \$10.8 million provided under OGO/GWOT</li> <li>• an additional \$1.526 billion available for this account for worldwide expenses, which could include Iraq</li> </ul>	<p>Neither the committee report nor the bill provides any funding specifically for Iraq under this account, but section 7004 imposes several requirements. In addition to reporting every 90 days on updated plans for all DoS construction projects in Iraq—including related reductions in staff, updated cost estimates for each project and resulting savings—DoS would also be required to establish, within 180 days of passage, "policies, standards, and procedures for the construction and operation of temporary and permanent diplomatic facilities in environments in which [DoS] does not traditionally operate or to accommodate temporary surges in personnel and programs" that consider cost-effectiveness (including a cost comparison of temporary versus permanent construction for the projected period the facility will be required), flexible security requirements, and colocate with other U.S. agencies.</p>

*Continued on the next page*

FUNDING TYPE	H.R. 5857	S. 3241
<b>Assistance</b>		
Economic Security Fund	<p>Economic Support Fund (ESF) funding provided collectively to Afghanistan, Pakistan, and Iraq under OCO/GWOT. The committee "urges [DoS] and USAID to continue efforts to encourage the incorporation of women in stabilizing Iraq and creating its government institutions...and expects funds to be provided to support an Iraqi women's democracy initiative." The DoS would be required to report on U.S. policy to "address the plight" of ethnoreligious minorities, including those living in the Ninewa Plains, was continued.</p> <p>The committee report directs that "policy should be informed in part by both the recommendations of the diaspora community in the United States and the struggling communities within Iraq and should be forward-looking, rather than a summary of previously funded projects and initiatives." Moreover, DoS is directed to "establish a long-term comprehensive plan to provide durable solutions for internally displaced Iraqis and Iraqi refugees. The plan should also focus on the large number of Iraqi refugees presently residing in Syria, and should explore possible alternatives in light of the escalating violence and instability in Syria."</p>	<ul style="list-style-type: none"> <li>Statutory ceiling of \$100 million for ESF assistance: \$50 million for enduring costs and \$50 million for OCO costs</li> <li>\$5 million is recommended in the committee report for the Marla Ruzicka Iraqi War Victims Fund (from the ESF allocation) "for continued assistance for civilian victims of conflict and the transition of this program to an Iraqi-run entity"</li> </ul> <p>According to the committee's report, USAID's <i>Tarabot</i> (Administrative Reform) and <i>Ajyal</i> (education) programs were not funded on the grounds that "strengthening public management institutions and training teachers should be the responsibility of the GOI and supported by national revenues." The committee report also provided that "the follow-on to USAID's <i>Tijara</i> business program shall not exceed" \$10 million and that "at least \$30 million be spent on democracy and governance programs."</p> <p>DoS is directed "to update the report on ethnoreligious minorities in Iraq" required by a previous committee report.</p>
Migration and Refugee Assistance (MRA)	<ul style="list-style-type: none"> <li>\$229 million for the MRA under OCO/GWOT, provided collectively for Afghanistan, Pakistan, and Iraq.</li> </ul>	Neither the committee report nor the bill mentions any funding specifically for Iraq under this account.
International Narcotics Control and Law Enforcement (INCLE)	<ul style="list-style-type: none"> <li>\$1.297 million worldwide for INCLE under OCO/GWOT.</li> </ul> <p>The committee expected that "funds provided will continue to support the Police Development Program (PDP) in Iraq," and its "recommendation takes into account the revised estimates for the PDP as a result of [DoS's] initial review in early 2012 and directs [DoS] to report to the Committees on Appropriations, not later than 60 days after enactment of this Act, on the expected number of police advisors, locations, and security costs related to the PDP, and the extent to which the [GOI] has committed to sustaining the PDP into the future."</p>	<p>The committee recommended no funding for the INCLE account for Iraq. The committee noted "the largely unsuccessful implementation of the [PDP] in Iraq, with the exception of activities conducted in northern Iraq. The committee recognized several factors contributing to this deficiency, including:</p> <ul style="list-style-type: none"> <li>lack of interest by the GOI for such activities</li> <li>inadequate DoS planning, including unnecessary construction at the Baghdad Police Academy Annex</li> <li>programmatic assumptions regarding shared bilateral interests that proved false</li> </ul> <p>The committee directs the Secretary of State to report to the committee the findings of its review of the PDP and to "limit the expenditure of funds only for programs in northern Iraq."</p>
Nonproliferation, Anti-Terrorism, Demining and Related Programs (NADR)	<ul style="list-style-type: none"> <li>\$75.4 million provided worldwide under OCO/GWOT</li> </ul>	<ul style="list-style-type: none"> <li>\$30.3 million for enduring costs in Iraq</li> </ul>
Foreign Military Financing Program	<ul style="list-style-type: none"> <li>\$1.102 billion for the Foreign Military Financing (FMF) Program worldwide under OCO/GWOT</li> </ul> <p>The committee stated in its report that, "funds appropriated under this heading in this title reflect the second year of the transition of responsibility for security assistance programs from [DoD] to [DoS]. Funding provided in fiscal year 2013 will continue to ensure the sustainment of advances that Iraq has made in assuming responsibility for its own security. The Committee expects [DoS], in consultation with the [DoD], to submit a detailed spend plan to the Committees on Appropriations prior to the obligation of funds."</p>	<ul style="list-style-type: none"> <li>\$450 million ceiling for enduring costs (and no funding from OCO costs) for the FMF account for Iraq</li> </ul>

Continued on the next page

# SIGIR OVERSIGHT

FUNDING TYPE	H.R. 5857	S. 3241
International Military Education and Training	No specific amount is provided for Iraq.	<ul style="list-style-type: none"> <li>\$2 million for enduring costs for Iraq</li> </ul>
Conditions on Assistance to Iraq	<p>As in past years, the bill (section 7042(c)) requires that:</p> <ul style="list-style-type: none"> <li>Funds "shall be made available "in a manner that utilizes Iraqi entities to the maximum extent practicable" and "in accordance with the cost-matching and other requirements" of the April 9, 2009, [DoS] guidelines on the [GOI's] financial participation in U.S.-funded civilian foreign assistance programs and projects."</li> <li>None of the funds made available in the act may be used by the United States to enter into a permanent basing rights agreement with Iraq.</li> </ul> <p>New language, in section 7042(c)(3), specifies:</p> <ul style="list-style-type: none"> <li>Amounts obligated for security assistance for Iraq in FY 2013 may not exceed the amounts obligated for security assistance for Iraq in FY 2012 until the Secretary of State certifies and reports to the Committees on Appropriations that the GOI has demonstrated a commitment to: "(i) adequately build the logistics and maintenance capacity of the Iraqi security forces; (ii) develop the institutional capacity to manage such forces independently; and (iii) develop a culture of sustainment for equipment provided by the United States or acquired with United States assistance.</li> </ul> <p>Section 7076(b) requires the Administration to provide a spend plan prior to the initial obligation of funds for funds made available for Iraq for bilateral economic assistance, such as the Economic Support Fund, and international security assistance, such as funds provided through the INCLE and the FMF program.</p> <p>Section 8002 of the act makes the amounts available under OCO/GWOT subject to spend plan reporting requirements.</p> <p>Section 7015(f) prohibits the Administration from obligating or expending funds appropriated under bilateral economic assistance, international security assistance, multilateral assistance, or export and investment assistance—or from OCO/GWOT—for assistance to Iraq (and other specified countries) "except as provided through the regular notification procedures of the Committees on Appropriations."</p>	<p>Section 7041(d)(2) presents new language, specifying that funds appropriated by the act for assistance for the GOI "should" be provided only if the Secretary of State certifies to the Committees on Appropriations that such government is supporting free and fair elections and implementing policies to: "(A) publicly disclose the national budget, including for the military and police; and (B) protect judicial independence; freedom of expression, association, assembly, and religion; the right of political opposition parties, civil society organizations, women activists, and journalists to operate without harassment or interference; and due process of law."</p> <p>Section 7042(d)(3) provides that assistance for Iraq "shall be made available in accordance with the cost-matching and other requirements" of the April 9, 2009, [DoS] guidelines on the [GOI's] financial participation in U.S.-funded civilian foreign assistance programs and projects. In new language, it also provides that "the Secretaries of State and the Treasury shall work with Iraq's Ministry of Finance to complete the review required by the International Monetary Fund of Iraq's outstanding advances."</p> <p>Section 7076(b) requires the Administration to provide a spend plan prior to the initial obligation of funds for funds made available for Iraq for bilateral economic assistance, such as the ESF; and international security assistance, such as funds provided through the INCLE and the FMF program.</p> <p>Section 8002 of the act makes the amounts available under OCO subject to spend plan reporting requirements.</p> <p>Section 7015(f) prohibits the Administration from obligating or expending funds appropriated under bilateral economic assistance, international security assistance, multilateral assistance, or export and investment assistance—or OCO—for assistance to Iraq (and other specified countries) "except as provided through the regular notification procedures of the Committees on Appropriations."</p>

**Note:** The House bill was considered in subcommittee on May 9 and in the full committee on May 17. It was reported (H. Rept. 112-494) on May 25 as H.R. 5857. The Senate bill was considered in subcommittee on May 22 and in the full committee on May 24. It was reported (S. Rept. 112-172) on May 24 as S. 3241.

assistance teams, including life support, transportation, and personal security, and facilities renovation and construction . . . ." The Secretary of Defense is required to provide a detailed justification and timeline to the congressional defense committees 15 days in advance for each proposed site.

The House bill contains several general provisions identical to language that has been passed in recent years. Specifically, Section 9007 provides that none of the funds made available in the bill, or any other act, shall be obligated or expended by the U.S. government to establish any military installation for the purpose of providing for the permanent stationing of U.S. armed forces in Iraq or to exercise U.S. control over any oil resource of Iraq.

## Authorizations

### Defense Authorizations

The National Defense Authorization Act for Fiscal Year 2013 (H.R. 4310) passed the House of Representatives on May 18. The Senate Committee on Armed Services reported its version (S. 3254), but as of July 23, 2012, it had not been considered on the floor. For details of both versions, see Table 5.8.

Representative Carnahan of Missouri offered an amendment consisting substantially of the text of H.R. 3660. The amendment would integrate into a U.S. Office for Contingency Operations

"duplicative functions related to contingency operation planning, management, and oversight, which are currently spread over several U.S. Departments and Agencies . . ." The Chairman of the Committee on Armed Services, Representative McKeon, said "that much needs to be done to improve our contingency contracting outcomes and to preserve and integrate the lessons learned over the last 10 years. The committee report accompanying the bill takes action on many of these same concerns. The committee will pursue this issue going forward to explore additional recommendations for systemic improvements to operational combat support and stabilization and reconstruction programs, including the proposal represented by the gentleman's amendment." The amendment was withdrawn by unanimous consent.

### Foreign Relations Authorizations

On July 17, 2012, the House of Representatives passed a bill (H.R. 6018) authorizing appropriations for DoS and other foreign affairs activities of the United States for FY 2013.

The amount authorized for FY 2013 for "Office of the Inspector General," \$129,086,000, is provided, by the terms of the legislative text, for DoS OIG, SIGIR, and SIGAR. According to the staff of the committee, the amount allocated is intended to allow for total funding equal to funding allocated for the three agencies in FY 2012, and with at least \$6 million allowed for SIGIR. ♦

# SIGIR OVERSIGHT

TABLE 5.8

## PROPOSED FY 2013 APPROPRIATIONS FOR DEPARTMENT OF STATE AND FOREIGN OPERATIONS AND ASSISTANCE PROGRAMS—HOUSE AND SENATE COMMITTEE BILLS

FUNDING TYPE	H.R. 4310	S. 3254
Acquisition Policy and Related Matters	<p>The committee report directs the Secretary of Defense "to undertake an effort, utilizing the National Defense University or other such educational institution of the Department of Defense, to capture lessons learned related to Department contract activities, such as operational contract support, resource and financial management, Commander's Emergency Response Program, and reconstruction programs." The effort "should build upon already documented insights and observations ..." and "should recommend changes to the full spectrum of activities within contingency contracting operations, including delivery of supplies, services, and reconstruction, in order to fully integrate business operations with kinetic and non-kinetic lines of operations."</p> <p>A report on the conclusions of the study should be made by March 31, 2013.</p>	<p>Section 861 requires regulations prescribing the chain of authority and responsibility within DoD for policy, planning, and execution of contract support for overseas contingency operations to "ensure that the DoD's management structure provides clear authority and responsibility for the planning of contract support; the establishment and validation of contract requirements; the identification of resources and prioritization of funding needs; the award and execution of contracts; and the oversight and management of contractors in the field."</p> <p>Section 863 calls for contract support issues for overseas contingency operations to be considered in DoD's readiness reporting system, the contingency planning functions of the Chairman of the Joint Chiefs of Staff, curriculum for joint professional military education, and DoD's structure for the management of contracts for services.</p> <p>Section 864 requires DoD to perform a risk assessment and develop a risk mitigation plan for "operational and political risks associated with contractor performance of critical functions in support of a contingency operation" for efforts expected to continue for more than a year or that have a contract value of more than \$250 million.</p> <p>Section 881 requires DoD suspension and debarment officials to be independent of acquisition officials, to be engaged only in suspension and debarment activities and other fraud-remedies activities, to document final decisions, and to develop written policies for the consideration of referrals. It would also require automatic referral for consideration of suspension or debarment of persons charged with a criminal offense in connection with a DoD contract or who have been alleged in a proceeding brought by the U.S. to have engaged in fraudulent activities in connection with such a contract, or who have failed to pay or refund money due or owed to the U.S. in connection with such a contract.</p>
Matters Relating to Foreign Nations	<ul style="list-style-type: none"> <li>• \$508 million authorized in FY 2013 for the operations and activities of OSC-I</li> </ul> <p>Section 1212 amends the FY 2012 NDAA to allow the use of prefunds provided to the OSC-I to provide training and assistance to the Iraqi Ministry of Defense (with the concurrence of the Secretaries of Defense and State).</p> <p>It also directs the Secretary of Defense (in consultation with the Secretary of State) to submit a report to the appropriate congressional committees within 180 days after the enactment "that includes:</p> <ul style="list-style-type: none"> <li>• plan to consolidate OSC-I sites</li> <li>• status of any pending requests for additional U.S. military forces</li> <li>• legal status and legal protections provided to OSC-I personnel, operational impact of such status and protections, and associated constraints on the operational capacity of such personnel by reason of their legal status</li> <li>• operational and functional limitations and authorities of OSC-I personnel</li> <li>• description of potential direct threats to OSC-I personnel and their capacity to provide adequate force protection to thwart those</li> </ul>	<p>Section 1212 extends existing authority to support OSC-I and security assistance teams "including life support, transportation and personal security, and construction and renovation of facilities. The provision would limit the total amount of funds available for these purposes to \$508.0 million."</p>

Note: The House bill (H.R. 4310) was considered in full committee on May 9 and reported, amended, (H. Rept. 112-479) on May 11, 2012. It was considered on the House floor May 16-18, and passed on May 18. The Senate bill (S. 3254) was reported to the Senate on June 4, with a written report (S. Rept. 112-173).

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SECTION

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6

## INTRODUCTION

In March 2004, SIGIR formed the Iraq Inspectors General Council (IIGC) to provide a forum for discussion of oversight in Iraq and to enhance collaboration and cooperation among the inspectors general (IGs) of the agencies that oversee Iraq reconstruction funds. Representatives of member organizations have met quarterly to exchange details about current and planned audits, to identify opportunities for collaboration, and to minimize redundancies.

In light of the continuing scale-down of efforts in Iraq, the IIGC transitioned its work under the umbrella of the Department of Defense Office of Inspector General (DoD OIG) Southwest Asia Joint Planning Group. SIGIR continues to actively participate in the Joint Planning Group. In June 2012, the Joint Planning Group held its 20th meeting.

Each quarter, SIGIR requests updates from member organizations on their completed, ongoing, and planned oversight activities. This

section summarizes the audits and investigations reported to SIGIR this quarter by the following organizations:

- DoD OIG
- Department of State Office of Inspector General (DoS OIG)
- Government Accountability Office (GAO)
- U.S. Army Audit Agency (USAAA)
- U.S. Agency for International Development Office of Inspector General (USAID OIG)

For Defense Contract Audit Agency (DCAA) updates, see Appendix G.

In previous quarters, SIGIR had provided updates on the U.S. Department of the Treasury and the U.S. Department of Commerce, but these agencies have no current Iraq reconstruction oversight activities ongoing or planned for FY 2012. SIGIR no longer reports on these agencies in this section.♦

## OTHER AGENCY OVERSIGHT REPORTS

This quarter, other oversight agencies issued 14 reports related to Iraq reconstruction, bringing the cumulative total to 685 reports issued since 2003. This section updates the audits that former IIGC member agencies reported to SIGIR:

- For recently completed oversight report activity of other U.S. agencies, see Table 6.1.
- For ongoing oversight report activity of other U.S. agencies, see Table 6.2.

- For more information on other agency oversight reports, including report summaries, see Appendix G.
- For a complete historical list of oversight reports and reviews on Iraq reconstruction by all entities, see Appendix H. ♦

TABLE 6.1

RECENTLY COMPLETED OVERSIGHT REPORTS OF OTHER U.S. AGENCIES, AS OF 6/30/2012

AGENCY	REPORT NUMBER	REPORT DATE	REPORT TITLE
DoD OIG	DODIG-2012-106	6/27/2012	DoD Needs to Improve the Billing System for Health Care Provided to Contractors at Medical Treatment Facilities in Southwest Asia
DoD OIG	DODIG-2012-102	6/18/2012	Better Cost-Control Measures Are Needed on the Army's Cost-Reimbursable Services Contract for Logistics Support of Stryker Vehicles
DoD OIG	DODIG-2012-098	6/5/2012	Controls Governing the Procurement Automated Contract Evaluation System Need Improvement
DoD OIG	DODIG-2012-099	6/1/2012	Adequate Contract Support and Oversight Needed for the Tactical Wheeled Vehicle Maintenance Mission in Kuwait
DoD OIG	DODIG-2012-075	4/16/2012	DoD Oversight of Private Security Contractors in Iraq Was Sufficient, but Contractors May Not Deter Attacks on Office of Security Cooperation-Iraq Enduring Sites
DoD OIG	DODIG-2012-071	4/10/2012	DoD's Management of the Redistribution Property Assistance Team Operations in Kuwait
DoS OIG	AUD/MERO-12-29	4/1/2012	Evaluation of the Antiterrorism Assistance Program for Countries Under the Bureaus of Near Eastern Affairs and South and Central Asian Affairs
GAO	GAO-12-133	5/15/2012	Army Has Taken Steps to Improve Reset Process, but More Complete Reporting of Equipment and Future Costs Is Needed
GAO	GAO-12-534	5/9/2012	Foreign Police Assistance: Defined Roles and Improved Information Sharing Could Enhance Interagency Collaboration
GAO	GAO-12-552SU	5/3/2012	Iraq: U.S. Assistance to Iraq's Minority Groups in Response to Congressional Directives
USAAA	A-2012-0111-MTE	6/8/2012	Contractor Payments in Afghanistan
USAAA	A-2012-0097-MTE	5/1/2012	Property Accountability in Afghanistan
USAAA	A-2012-0092-MTE	4/27/2012	Management Controls Over Payments for Overseas Contingency Operations—Transportation ARCENT
USAAA	A-2012-0089-MTE	4/16/2012	Foreign Excess Personal Property (FEPP) Program—Phase II

## OTHER AGENCY OVERSIGHT

**TABLE 6.2**  
**ONGOING OVERSIGHT ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2012**

AGENCY	PROJECT NUMBER	DATE INITIATED	PROJECT TITLE
DoD OIG	D2012-D000JA-0110.000	2/27/2012	Accountability Over Major End Items of Equipment (Class VII) Turned-In at Camp Virginia, Kuwait
DoD OIG	D2011-D000CH-0032.000	10/19/2010	Contractor Logistics Support Contract for Stryker Vehicles with General Dynamics Land Systems
DoD OIG	D2010-D00SPO-0209.000	4/16/2010	Assessment of DoD Wounded Warrior Matters
DoS OIG	12AUDXXX	6/29/2012	Audit of the Implementation of the Baghdad Master Plan
DoS OIG	12AUD050	3/22/2012	Audit of the Worldwide Protective Services Contract–Task Order 005
DoS OIG	MERO 3012	11/23/2010	Evaluation of PAE Operations and Maintenance Support of Embassy Baghdad
GAO	121042	Not reported	Recommendations of the Wartime Contracting Commission
GAO	121049	Not reported	Assessment of Joint Report on Contracting in Iraq and Afghanistan
GAO	320843	4/22/2011	Transition to a Predominantly Civilian Presence in Iraq
GAO	120976	3/31/2011	State Contracting for Conflict Countries
USAAA	A-2012-MTE-0377.000	3Q/FY 2012	Acquisition Cross Servicing Agreements (ACSA)–Afghanistan
USAAA	A-2012-MTE-0335.000	2Q/FY 2012	Foreign Excess Real Property Program
USAAA	A-2012-MTE-0079.000	2Q/FY 2012	Foreign Excess Personal Property Program
USAAA	A-2012-MTE-0262.000	2Q/FY 2012	Area Support Group Kuwait S6, Information Technology Contracts
USAAA	A-2012-MTE-0240.000	2Q/FY 2012	Found on Installation Property
USAAA	A-2012-MTE-0071.000	2Q/FY 2012	Contract Administration of the National Afghanistan Trucking Contract
USAAA	A-2012-MTE-0073.000	2Q/FY 2012	Materiel Management–Retrograde from Southwest Asia
USAAA	A-2012-MTE-0081.000	2Q/FY 2012	National Afghanistan Trucking Performance Metrics
USAAA	A-2011-ALL-0094.000	4Q/FY 2011	Army Prepositioned Stock (APS V) Requirements Determination Processes-Kuwait
USAAA	A-2012-MTE-0018.000	4Q/FY 2011	Followup Audit of Management and Visibility of Government Property Provided on the Base Operations Support Contract in Kuwait
USAAA	A-2011-ALL-0534.000	4Q/FY 2011	Financial Transparency in the Afghanistan Transportation Network Contract, Regional Command-South
USAAA	A-2011-ALL-0490.000	4Q/FY 2011	Contract Management–Atmospherics Program-Afghanistan
USAAA	A-2011-ALL-0330.000	4Q/FY 2011	Bulk Fuel Accountability in Afghanistan-Phase II
USAAA	A-2011-ALL-0346.000	2Q/FY 2011	Property Accountability –Over Unit Equipment Shipped to Afghanistan-Afghanistan
USAAA	A-2011-ALL-0087.000	1Q/FY 2011	Management Controls over Department of Defense Activity Address Codes (DODAAC), U.S. Army Central Command
USAID OIG	EE100212	4/22/2012	Survey of Security Contractor Services Employed by USAID/Iraq's Contractors and Grantees
USAID OIG	EE100112	11/22/2011	Audit of USAID/Iraq's Legislative Strengthening Program
USAID OIG	EE100312	10/26/2011	Audit of the QED Group's Monitoring and Evaluation of USAID Programs in Iraq

## OTHER AGENCY INVESTIGATIONS

SIGIR regularly coordinates with other government agencies conducting investigations in Iraq. For statistics of investigative activities from other agencies, see Table 6.3. ♦

**TABLE 6.3**  
**STATUS OF INVESTIGATIVE ACTIVITIES OF OTHER U.S. AGENCIES, AS OF 6/30/2012**

AGENCY	INVESTIGATORS IN IRAQ	INVESTIGATORS IN KUWAIT	OPEN/ONGOING CASES*
U.S. Army Criminal Investigation Command, Major Procurement Fraud Unit	–	2	89
Defense Criminal Investigative Service	–	2	141
DoS OIG	3	–	15
Federal Bureau of Investigation	1	1	28
Naval Criminal Investigative Service	–	1	1
U.S. Air Force Office of Special Investigations	–	–	2
USAID	1	–	11
<b>Total</b>	<b>5</b>	<b>6</b>	<b>287</b>

\* Numbers include pending cases worked with other agencies within the Joint Operations Center.

# ENDNOTES AND ACRONYMS AND DEFINITIONS

# ENDNOTES

1. DoS, Statement of the Under Secretary for Management Before the Subcommittee on National Security, Homeland Defense, and Foreign Operations House Committee on Oversight and Government Reform, "Assessment of the Transition from a Military to a Civilian-Led Mission in Iraq," 6/28/2012, [oversight.house.gov/wp-content/uploads/2012/06/6-28-12-NatSec-Kennedy.pdf](http://oversight.house.gov/wp-content/uploads/2012/06/6-28-12-NatSec-Kennedy.pdf), accessed 7/6/2012.
2. OUSD(AT&L), SPOT Program Support, responses to SIGIR data calls, 4/5/2012 and 7/6/2012. In its response to SIGIR's quarterly data call, DoS, for the first time, relied on SPOT data and reported that 13,772 contractors were supporting the U.S. Mission as of June 30, 2012.
3. U.S. Embassy-Baghdad, response to SIGIR data call, 7/6/2012.
4. GAO, Testimony of the Acting Director, International Affairs and Trade, Before the Subcommittee on National Security, Homeland Defense, and Foreign Operations House Committee on Oversight and Government Reform "Mission Iraq: State and DOD Face Challenges in Finalizing Support and Security Capabilities," 6/28/2012, [oversight.house.gov/wp-content/uploads/2012/06/6-28-12-NatSec-Courts.pdf](http://oversight.house.gov/wp-content/uploads/2012/06/6-28-12-NatSec-Courts.pdf), p. 1, accessed 7/10/2012.
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## ACRONYMS AND DEFINITIONS

This section contains all of the abbreviations and acronyms found in this Report.

ACRONYM	DEFINITION
ABO	U.S. Army Budget Office
ACDI/VOCA	Agricultural Cooperative Development International and Volunteers in Overseas Cooperative Assistance (USAID contractor)
Ajyal	“Generations” in Arabic—Education Strengthening Project (USAID)
AML	anti-money laundering (advisor)
BBG	Broadcasting Board of Governors
BCH	Basrah Children’s Hospital
BP	British Petroleum
BPA	blanket purchase agreement
BPAX	Baghdad Police Academy Annex
BPD	barrels per day
BSA	Board of Supreme Audit
CAP	Community Action Program (ESF)
CBI	Central Bank of Iraq
CD/OMS	Capacity Development/Operations, Maintenance, and Sustainment
CEFMS	Corps of Engineers Financial Management System
CENTCOM	U.S. Central Command
CERP	Commander’s Emergency Response Program
CHF	Cooperative Housing Foundation (USAID contractor)
CID-MPU	U.S. Army Criminal Investigation Command-Major Procurement Fraud Unit
CIO	Contributions to International Organizations (U.S. foreign assistance account)
CMCP	Coalition Munitions Clearance Program
COI	Commission of Integrity (previously known as Commission on Public Integrity)
CoM	Council of Ministers (GOI)
Commerce	U.S. Department of Commerce
Comptroller	Office of the Under Secretary of Defense (Comptroller)

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ACRONYM	DEFINITION
CoR	Council of Representatives (GOI)
COS	Central Organization for Statistics (GOI) (previously known as the Central Organization for Statistics and Information Technology)
CPA	Coalition Provisional Authority
CSH	Child Survival and Health Grants Programs
CWC	Commission on Wartime Contracting in Iraq and Afghanistan
DCAA	U.S. Defense Contract Audit Agency
DCIS	Defense Criminal Investigative Service
DCMA	Defense Contract Management Agency
DFARS	Defense Federal Acquisition Regulation Supplement
DFI	Development Fund for Iraq
DG	director general
DHS	Department of Homeland Security
DoD	Department of Defense
DoD OIG	Department of Defense Office of Inspector General
DoJ	Department of Justice
DoS	Department of State
DoS OIG	Department of State Office of Inspector General
DoT	Department of Transportation
DPA	Deferred Prosecution Agreement
DPM	Deputy Prime Minister
DRL	Bureau of Democracy, Human Rights and Labor (DoS)
DRMO	Defense Reutilization and Marketing Office
DS	Bureau of Diplomatic Security (DoS)
ECA	Bureau of Educational and Cultural Affairs (DoS)
EDSC	Erbil Diplomatic Support Center
EFT	Electronic Fund Transfer
EIA	Energy Information Administration (DoE)
EIU	Economist Intelligence Unit
EPC	engineering, procurement, and construction
ERMA	Emergency Refugee and Migration Assistance
ESD	Energy and Services Division (USF-I)

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ACRONYM	DEFINITION	ACRONYM	DEFINITION	ACRONYM	DEFINITION
IMET	International Military Education and Training	MIM	Ministry of Industry and Minerals	OSC-I	Office of Security Cooperation-Iraq
IMF	International Monetary Fund	MMT	million metric tons	OTA	Office of Technical Assistance (U.S. Treasury)
INCLE	International Narcotics Control and Law Enforcement account (DoS)	MOD	Ministry of Defense	OUSD(AT&L)	Office of the Under Secretary of Defense (Acquisition, Technology and Logistics)
INL	Bureau of International Narcotics and Law Enforcement Affairs (DoS)	MoDM	Ministry of Displacement and Migration	OUSD(C)	Office of the Under Secretary of Defense (Comptroller)
INL/ACCO	INL's Anti-Corruption Coordination Office	MOE	Ministry of Electricity	P.L.	Public Law
Inma	"Growth" in Arabic—Agribusiness Program (USAID)	MOF	Ministry of Finance	PCO	Project and Contracting Office
IOM	International Organization for Migration	MOH	Ministry of Health	PDP	Police Development Program (DoS INL)
IPO	initial public offering	MOI	Ministry of Interior	PERFORM	Performance Evaluation and Reporting for Results Management (USAID)
IPP	independent power producer	MoPDC	Ministry of Planning and Development Cooperation	PFB	Procurement Fraud Branch (Army Legal Services Agency)
IRFFI	International Reconstruction Fund Facility for Iraq	MOU	memorandum of understanding	PHC	primary healthcare center
IRI	International Republican Institute	MRA	Migration and Refugee Assistance	PKK	Kurdistan Workers' Party
IRRF	Iraq Relief and Reconstruction Fund	MSI	Management Systems International	PRDC	Provincial Reconstruction Development Council
IRS-CI	Internal Revenue Service-Criminal Investigation	MW	megawatt	PRM	Bureau of Population, Refugees and Migration (DoS)
ISCI	Islamic Supreme Council of Iraq	NADR	Nonproliferation, Anti-terrorism, Demining, and Related Programs	PRT	provincial reconstruction team
ISF	Iraqi Security Forces	NDAA	National Defense Authorization Act	PUK	Patriotic Union of Kurdistan
ISFF	Iraq Security Forces Fund	NEA-I	Bureau of Near Eastern Affairs-Iraq (DoS)	PX	post exchange
ISPO	Iraq Strategic Partnership Office	NGO	nongovernmental organization	S&P	Standard & Poor's
ISRAR	"Determination" in Arabic—Iraqi Solutions for Regulatory and Administrative Reform (USAID)	NIC	National Investment Commission (GOI)	SAT	Security Assistance Team
ISX	Iraq Stock Exchange	NMC	National Media Center (GOI)	SFA	Strategic Framework Agreement
JCC	Joint Coordination Committee (GOI)	NRRRF	Natural Resources Risk Remediation Fund	SIGAR	Special Inspector General for Afghanistan Reconstruction
KDP	Kurdistan Democratic Party	NSC	National Security Council (KRG)	SIGIR	Special Inspector General for Iraq Reconstruction
KRG	Kurdistan Regional Government	O&M	operations and maintenance	SIGPRO	SIGIR Prosecutorial Initiative
LBG	Louis Berger Group, Inc.	OBO	Bureau of Overseas Buildings Operations (DoS)	SIV	Special Immigrant Visa
M&E	Monitoring and Evaluation	OCO	Overseas Contingency Operations	SOE	state-owned enterprise
Maharat	"Skills" in Arabic—Education Surveys (USAID)	OFDA	Office of Foreign Disaster Assistance (USAID)	SOFA	Status of Forces Agreement
MBPD	million barrels per day	OHDACA	Overseas Humanitarian, Disaster and Civic Aid	SOI	Sons of Iraq
MCD	Ministerial Capacity Development program (DoS or USAID)	OIG	Office of Inspector General	SoL	State of Law Coalition (headed by Nuri al-Maliki)
MCFD	million cubic feet per day	OMA	Operations and Maintenance, Army (funds)	SOMO	State Oil Marketing Organization
MEC	Minimum Essential Capability	OMB	Office of Management and Budget	SPM	single-point mooring
MED	Middle East District (USACE)	OPDAT	Office of Overseas Prosecutorial Development and Assistance Training (DoJ)	SPOT	Synchronized Predeployment and Operational Tracker
MEES	Middle East Economic Survey	OPEC	Organization of the Petroleum Exporting Countries	SRO	stabilization and reconstruction operation
MEK	Mujaheddin e-Khalq	OPIC	Overseas Private Investment Corporation	Tarabot	"Linkages" in Arabic—Administrative Reform Project (USAID)
MENA	Middle East and North Africa			TFBSO	Task Force for Business and Stability Operations (DoD)

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<b>ACRONYM</b>	<b>DEFINITION</b>
Tijara	“Trade” in Arabic—Provincial Economic Growth Program (USAID)
TIP	Trafficking in Persons
Treasury	U.S. Department of the Treasury
UN	United Nations
UNAMI	United Nations Assistance Mission for Iraq
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNHCR	United Nations High Commissioner for Refugees

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<b>ACRONYM</b>	<b>DEFINITION</b>
UNSCR	United Nations Security Council Resolution
USAAA	U.S. Army Audit Agency
USACE	U.S. Army Corps of Engineers
USAID	U.S. Agency for International Development
USAID OE	U.S. Agency for International Development Operating Expenses
USAID OIG	U.S. Agency for International Development Office of Inspector General
USCBI	U.S. Business Council in Iraq
USCG	U.S. Coast Guard

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<b>ACRONYM</b>	<b>DEFINITION</b>
USCIS	U.S. Citizenship and Immigration Services
USDA	U.S. Department of Agriculture
USF-I	U.S. Forces-Iraq
USG	U.S. government
USMC	U.S. Marine Corps
USML	U.S. Munitions List
USOCO	U.S. Office for Contingency Operations
USRAP	U.S. Refugee Admissions Program
UXO	unexploded ordnance
WHO	World Health Organization

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